SAN FRANCISCO PUBLIC LIBRARY
3 1223 07661 5955

5/S

San Francisco Public Library

Government Information Center
San Francisco Public Library
100 Larkin Street, 5th Floor
San Francisco, CA 94102

REFERENCE BOOK

Not to be taken from the Library

Management Audit

# of the

Recreation and Park Department

Prepared for the

Board of Supervisors
of the City and County of San Francisco

by the

San Francisco Budget Analyst

January 12, 2006

DOCUMENTS DEPT.
OCT 2 2 2007
SAN FRANCISCO
PUBLIC LIBRARY

3 1223 07661 5955

CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET ANALYST

1390 Market Street, Suite 1025, San Francisco, CA 94102 (415) 554-7642
FAX (415) 252-0461

January 12, 2006

Honorable Aaron Peskin, President
and Members of the Board of Supervisors
City and County of San Francisco
Room 244, City Hall
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102-4689

Dear President Peskin and Members of the Board of Supervisors:

The Budget Analyst is pleased to submit this *Management Audit of the Recreation and Park Department.* On May 3, 2005, the Board of Supervisors adopted a motion directing the Budget Analyst to conduct a management audit of the Recreation and Park Department, pursuant to its powers of inquiry defined in Charter Section 16.114 (Motion No. M05-67). The purpose of the management audit has been to: (i) evaluate the economy, efficiency and effectiveness of the Recreation and Park Department's programs, activities, and functions and the Recreation and Park Department's compliance with applicable State and Federal laws, local ordinances, and City policies and procedures; and (ii) assess the appropriateness of established goals and objectives, strategies, and plans to accomplish such goals and objectives, the degree to which such goals and objectives are being accomplished, and the appropriateness of controls established to provide reasonable assurance that such goals and objectives will be accomplished. The scope of the management audit includes all of the Recreation and Park Department's programs, activities, and functions.

This management audit report reviews the Recreation and Park Department in terms of:

- Resource planning and allocation.
- Performance management.
- The Open Space Fund.

- Golf course funding, resource allocation, and management and operations.
- Management of revenues, leases, permits, and cash.
- Park patrol.
- Maintenance management.
- Fleet management.
- Capital Program management, funding, and project budgets.

The management audit was conducted in accordance with *Governmental Auditing Standards, 2003 Revision*, issued by the Comptroller General of the United States, U.S. General Accountability Office. The management audit staff presented a draft report to the Recreation and Park Department General Manager on December 7, 2005, and held an exit conference with the General Manager and key members of the Recreation and Park Department's management staff on December 16, 2005, to discuss the draft report. Subsequent to careful consideration of the additional information provided by the Recreation and Park Department after submission of our draft report to the Recreation and Park Department, the management audit staff prepared a final report. The Recreation and Park Department has provided a written response to the Budget Analyst's *Management Audit of the Recreation and Park Department*, which is appended to this report, beginning on page 261.

Key Issues Facing the Recreation and Park Department

The Recreation and Park Department is responsible for recreational and park facilities covering approximately 5,400 acres of land spread over 230 sites including the 1,017 acre Golden Gate Park, over 80 neighborhood parks, Camp Mather in the High Sierras, Sharp Park in Pacifica, and the Furhman Bequest Property in Kern County.[1] The Department is responsible for physical facilities comprising 150 tennis courts, 145 children's play areas, 118 sports fields, 75 basketball courts, 50 neighborhood club houses, 45 bathroom facilities, 42 maintenance facilities, 27 recreation centers, ten field houses, nine swimming pools, six golf courses with five clubhouses, four stadiums, two carrousels, two windmills, two marinas, an arts and crafts studio, a children's museum, a zoo, and a summer camp compound. The Recreation and Park Department also manages 40 community gardens on City-owned property. Among all of these property holdings are ten historic landmarks. The Department is also responsible for a number of undeveloped land parcels. Nevertheless, according to the *Assessment Study: 1998-1999*, which evaluated the condition of Recreation and Park Department facilities, "In terms of total park acreage San

---

[1] The Furhman Bequest Property is ranch land bequested to the Recreation and Park Department and the Library for recreational purposes. It is currently leased for paintball games and ranching.

Francisco has roughly half (five acres) of the national standard of 10 acres per 1,000 residents. In addition, much of San Francisco's park acreage is on hillside areas which, while certainly serving an open space function, do not translate into either active facilities or distributed community parks."

As a result of conducting this management audit, the Budget Analyst has identified four key issues facing the Recreation and Park Department:

1. **The Recreation and Park Department needs to plan for and respond in a timely manner to the City's and the Recreation and Park Department's changing operating and capital needs.**

The Recreation and Park Department needs to plan recreation and park programs that meet the needs of the City's population as the City's neighborhoods, demographics and leisure time preferences change. For example, the Recreation and Park Department has not kept pace with the increased demand for fitness facilities and for adventure sports, such as rock climbing, skateboarding, cycling, hiking, and kayaking, as discussed in Section 4 of this report.

The Recreation and Park Department needs to plan comprehensively for the Recreation and Park Department's capital and land acquisition requirements, including (a) addressing seismic deficiencies in buildings housing the Recreation and Park Department's administrative staff, (b) developing formal criteria for property acquisitions and capital improvement project evaluation and selection, and (c) determining the best and highest uses of the Recreation and Park Department's properties.

The Recreation and Park Department established a Planning Division in the fall of 2004, which was a key step in increasing the Recreation and Park Department's planning capacity.

2. **The Recreation and Park Department needs to focus on its core functions.**

Over time, the Recreation and Park Department has been given responsibility for non-core functions which are not specifically recreation or park functions, such as youth employment and after school programs. The Recreation and Park Department has provided such non-core services based on an informal assumption that managing a facility includes direct provision of the services provided within that facility. Consequently, the Recreation and Park Department staffs most recreation center programs, even if other organizations can provide such programs more effectively and economically. The Recreation and Park Department has entered into a pilot program with the Department of Children, Youth, and Families in which community based organizations will provide children's and families' programs in Recreation and Park Department facilities. The Recreation and Park Department should evaluate this pilot as a model for providing programs and services that do not fall within the core functions of the department.

3. The Recreation and Park Department needs to ensure sufficient management oversight and management systems.

The Budget Analyst found inadequate management oversight in many of the Recreation and Park Department's key functions, including employee performance and productivity, property and lease management, monitoring of permits and reservations, cash handling, and closing out of capital projects. The Recreation and Park Department has implemented a new management structure in FY 2005-2006, and funded new management positions, including a Director of Operations, a Director of Partnerships and Property Management, a Neighborhood Services Manager, and a Citywide Services Manager.

The Recreation and Park Department's Strategic Plan has called for a management audit since 2002. According to the Recreation and Park Department's FY 2005-2006 Efficiency Plan, the Budget Analyst's management audit will "provide critical feedback on [the Recreation and Park Department's] actions in the years to come," and the Budget Analyst's "recommendations from this audit are anticipated to provide significant guidance in forming the priorities for 2006 and the next Efficiency Plan".

4. The Recreation and Park Department needs to increase and diversify its revenue base.

The Recreation and Park Department struggles to live within its current budget, as evidenced by its reliance on high rates of employee attrition to remain within its budget appropriations. The department also faces a Capital Program estimated funding shortfall currently estimated to be $589,125,057. While the Recreation and Park Department is primarily responsible for the provision of affordable recreation and highly subsidized public access to parks, it does not maximize its current permit, fee, and property revenues. Nor does the Recreation and Park Department maximize its revenues from commercial opportunities such as the tournaments operated by the Professional Golfers' Association (PGA) Tour, Inc. at Harding and Fleming Golf Courses. The October of 2005 World Golf Championships - American Express Championship tournament held at Harding and Fleming Golf Courses resulted in direct costs exceeding revenues by $141,619. In order to fully fund the Capital Program Phases I through III, the Recreation and Park Department will need to consider the full range of available funding options, including working much more closely with grant agencies, philanthropic donors, other public sector agencies which have overlapping needs and facilities, and the business and corporate sector. The Recreation and Park Department needs to develop, and win support for, ongoing funding mechanisms to support (a) its own ongoing capital asset maintenance obligations, (b) its ongoing capital asset maintenance obligations related to other organizations' capital programs, and (c) its future facility replacement program.

Management Audit Recommendations

This management audit report of the Recreation and Park Department includes 18 findings and 169 related recommendations prepared by the Budget Analyst. A list of the management audit recommendations is shown in the Attachment to this transmittal letter.

Implementation of the Budget Analyst's recommendations would result in estimated ongoing savings or increased revenues of approximately $1,534,436 annually, and one-time savings of approximately $141,619.

The Budget Analyst has recommended new or reallocation of positions, resulting in increased costs to be funded by a portion of the $1,534,436 in identified savings or increased revenues, including:

(a) $115,000 to pay for assigning 30 custodians to the evening shift, resulting in an 8 percent evening shift differential and assigning 8 custodians to lead work, resulting in lead pay of $5 per day, offset by salary savings of $118,000 to reduce recreation director positions by 2.0 full time equivalent positions.

(b) $87,000 to pay for 1.5 new full time custodian positions, funded by a recommended $1.00 increase in adult swimming pool fees, from $4.00 to $5.00, totaling an estimated $89,000 annually in new revenues.

(c) $316,119 to pay for two Maintenance Planner positions and one Supervisor position, offset by salary savings of $311,243 to delete four trades positions, which have been vacant for at least one year, resulting in total increased costs of $4,876.

The following sections summarize our findings and recommendations.

Section 1. Allocation of Recreation and Aquatic Staff Resources

The Recreation and Park Department lacks productivity standards to determine the total number and best allocation of recreation staff to meet the Department's program needs. Consequently, the Department has overstaffed the larger recreation centers during the middle of the day, when the Department has the fewest recreation programs. For example, at Oceanview Recreation Center, on a Tuesday afternoon between 12 and 1 p.m., four recreation staff were on duty, but no programs were offered and no members of the public were present. Two of the staff members spent a portion of the hour in the gym playing basketball. Other recreation centers, such as the Upper Noe Valley and Glen Park Recreation Centers, were overstaffed during site visits. In one instance, none of the recreation staff scheduled to work could be found during the first half-hour when the facility was supposed to be open.

The Department does not maintain consistent staffing levels or hours at all recreation facilities. In the sixteen largest recreation facilities, the number of hours the facilities are open per full time equivalent position varies from a low of 9.6 hours per full time equivalent position to a high of 19.8 hours per full time equivalent position. Further, the staffing levels at these facilities do not correlate with the number of weekly program users reported, which range from 184 program users per full time equivalent position to 2,445 program users per full time equivalent position.

Developing performance and productivity standards would allow the Department to better determine the need for and allocation of recreation staff. The Department has 202 full time equivalent recreation staff positions, consisting of employees who work both full time and part time. In 1999 the Department increased the hours of 30 part time recreation staff to full time, resulting in a net increase of 2.0 full time equivalent positions. The Budget Analyst recommends reducing the hours of eight recreation directors currently scheduled full time, from 8 hours per day to 6 hours per day, to eliminate midday overstaffing at the larger recreation centers, totaling 2.0 full time equivalents, and resulting in $118,000 annual salary and fringe benefit savings. The Budget Analyst has recommended that these savings be allocated to reassigning 30 Neighborhood Services custodians to the evening shift and creating lead custodian positions as discussed in Section 2 of this report.

Swimming pool fee revenues make up less than 10 percent of the annual swimming pool operating budget, or $318,500 in fee revenues compared to an operating budget of $3.38 million in FY 2004-2005. The Recreation and Park Department needs to increase swimming pool fee revenues by increasing both attendance and adult swim fees. Swimming pool attendance varies by season and by facility. Monthly swimming pool attendance in FY 2004-2005 ranged from approximately 31,000 in July 2004 to only 13,000 in December 2004. Also, the three pools which were newly reopened – Martin Luther King Jr. Pool, North Beach Community Pool, and Coffman Community Pool – reported attendance in July and August of 2005 far below pool capacity. For example, in August 2005, Martin Luther King Jr. Pool reported attendance of 2,635, which is 45.9 percent of total capacity of 5,745 and Coffman Pool reported attendance of 1,923, which is 60.7 percent of total capacity of 3,170. North Beach Community Pool did not report attendance in August 2005, but reported attendance of 1,434 in July 2005.[2]

The Recreation and Park Department will not be able to charge higher fees and attract new users without significant improvements in locker room, toilet, and pool cleanliness. The Department of Public Health July 13, 2005 inspection of Rossi Pool found the women's showers to be "unsanitary" and the July 27, 2005 inspection of the Sava Pool found the men's shower to be mildewed and unclean.

---

[2] The Recreation and Park Department has not provided capacity data for the newly-reopened North Beach Pool, but the North Beach Pool facility consists of two full-size swimming pools.

Swimming pools are closed unexpectedly due to inadequate staffing, or maintenance and sanitation problems. In calendar year 2005, the Recreation and Park Department closed the swimming pools unexpectedly on 35 different occasions, a 75 percent increase in pool closures. The Recreation and Park Department closed pools 10 times in 2004 and nine times in 2005 due to problems with water clarity or contamination.

If the Recreation and Park Department increased attendance during the winter months, and at pools that are currently below capacity, by 10 percent, the Department's revenue would increase by approximately $30,000 annually. If the Recreation and Park Department were to increase the fee for adult lap and recreational swimming by $1.00, from $4.00 to $5.00, the Department could increase revenues by approximately $89,000 annually. To increase fees, the Department would have to assure pool customers that the locker rooms and toilets would be well maintained, and therefore, such increased revenues should be allocated for funding up to 1.5 custodian positions, with salary and mandatory fringe benefit costs of approximately $58,000 per position, or $87,000 for approximately 1.5 positions (1.5 x $58,000 = $87,000).

Section 2. Allocation of Gardener and Custodian Staff Resources

The Recreation and Park Department lacks the management tools to determine the number of gardener and custodian positions that it needs or how to allocate these positions to the Department's parks and recreational facilities in order to provide optimal levels of service within existing staff resources. The Department cannot demonstrate that it is spending its money on gardener and custodian resources in the best or most efficient way. Currently, the Department has 215 gardeners and 59 custodians.

The Department is in the process of implementing park maintenance standards as required by Proposition C, passed by the voters in November 2003, and out of these standards expects to develop productivity standards for gardeners. Two years after the adoption of Proposition C, the Department has established regular maintenance schedules for parks and completed one set of park evaluations between June 2005 and September 2005, but has not yet analyzed the evaluation results or released these results to the public.

The Recreation and Park Department lacks a system to ensure best use of custodian resources. Although many Department facilities are open in the evening all but one custodian are assigned to the day shift. Facility cleaning occurs early in the day, when recreation directors are conducting programs, leading to problems with wet floors, closed bathrooms, and other issues.

Some custodians are assigned to single recreational facilities and others are assigned to multiple facilities, depending on the size, location, type, use and condition of the facilities. Although the Department does not have data on the relative productivity of different custodian assignments, interviews with department staff disclosed that custodians at some facilities have significant down time while other custodians at other facilities are fully assigned, and that different facilities are maintained to different standards. Some facility cleaning is clearly inadequate, such as the once per week cleaning of some swimming pool locker rooms and toilets, resulting in five Department of Public Health notices to clean the swimming pool facilities in FY 2004-2005.

The Recreation and Park Department needs to reassign custodians, including establishing a swing shift, setting up mobile crews, and creating lead worker positions. The Department should also develop productivity and performance standards for custodial services and training in custodial best practices for non-custodian supervisors and custodian staff.

Implementation of the Budget Analyst's recommendations should result in better use of the Department's money to pay for gardeners and custodians, including better park and facility maintenance. Although the Department will incur increased costs to assign custodians to the evening shift and establish lead positions to manage custodians, these costs can be offset by an estimated $118,000 in salary savings by reducing recreation director positions by 2.0 full time equivalents as recommended in Section 1 of this report. The Budget Analyst estimates that assigning 30 custodians to the evening shift and paying an 8 percent evening shift differential, plus assigning eight custodians to lead worker duty, and paying a $5.00 per day differential, will cost approximately $115,000 annually.

Section 3. Managing Productivity, Performance, and Morale

The Recreation and Park Department has made accountability based on performance standards and staff development key components of the Department's strategic plan.

The major barrier to the Department's job performance is the high absentee and injury rate, especially among gardeners. In FY 2004-2005, gardeners on Worker's Compensation or sick leave totaled 16.3 full time positions, or 7.6 percent of the 215 gardener positions. Department employees in general on Worker's Compensation or sick leave in FY 2004-2005 totaled 44.3 full time positions, or 4.9 percent of the 900 full time positions.

The costs to the Department in lost work days due to Worker's Compensation or extended sick leave are high. The Budget Analyst estimates that salary and mandatory fringe benefit costs for 44.3 full time equivalent positions that are lost annually to Worker's Compensation or extended sick leave are $2.6 million per year. Reducing these lost work days by 25 percent would increase the Department's productivity, an opportunity cost savings of approximately $650,000 annually.

The Department only began to require performance evaluations of Department employees in FY 2004-2005 and still has not developed a formal written policy. The Budget Analyst found that employee performance varied widely across the Department and that managers need to improve the quality and consistency of performance goals to ensure that the public receives quality services.

The Recreation and Park Department also needs to improve access to training opportunities; in FY 2003-2004 only 10 percent of Department employees attended Department or outside training programs and although the Department did not track training in FY 2004-2005, in the first quarter of FY 2005-2006, only 7 percent of Department employees attended training programs. The Department especially needs to provide job skills training and develop opportunities for recreation, gardener, and custodian staff to ensure that these employees are able to provide the best possible service.

Strong employee performance and accountability and quality public service depend on the Department staff's morale and perception of their jobs. In interviews and focus groups, the Budget Analyst found significant need for improvement, especially in communication among executive managers, supervisors, and front line staff, and the need for front line staff to be better integrated into developing and planning the work program.

Also, many Department managers and staff have expressed concern about the loss in gardener productivity resulting from homeless encampments in the parks. Cleaning up and removing homeless encampments is time consuming and can be hazardous for gardener staff. At least one work related injury has resulted from an encounter between a park gardener and a homeless person.

Section 4. Community Participation and Resource Planning

The Recreation and Park Department is one of the most publicly visible departments in the City and County of San Francisco. However, the Department does not adequately solicit or incorporate public input, demographic information, or other relevant community factors into its programming and service decisions. Rather, the Department makes its programmatic and service planning decisions informally, at a recreation center-level, and based on historical offerings and staff interest. Consequently, the Department has not kept pace with changing demand for recreation and park facilities, such as the increased demand for fitness facilities and adventure sports, such as rock climbing, skateboarding, cycling, hiking, and kayaking.

The Department's attendance data collection methods are inefficient and the integrity of the data is compromised. The data the Department does collect are not used to influence resource planning decisions.

The Department does not require minimum standards of program quality or establish program goals and outcomes. The identification of program goals and outcomes and the evaluation of programs, if done at all, are left to the discretion of individual recreation staff. The quality of programs is, therefore, largely unknown, highly variable, and primarily dependent on the abilities and resources of recreation staff managing them. Therefore, the Department is not able to assess community reaction to specific programs and to measure the occurrence of desired outcomes.

The Department does not adequately advertise its facilities, programs, and services. The Department needs to provide its staff with the tools, training and support to perform better community outreach.

The Department interacts with a diverse array of community stakeholders, including individual volunteers, other public agencies, foundations, and neighborhood groups that advocate on behalf of issues, facilities, and programs. However, the Department neither has an understanding of the scope of the partnerships in which it is engaged nor appropriate policies and procedures in place to govern its work with these stakeholders.

The Department is increasingly working with volunteers in its parks and facilities. However, the Department, despite various attempts, has not instituted a formal volunteer policy.

The Budget Analyst's recommendations are intended to improve the Recreation and Park Department's practices in working with the community and planning programs that meet the community's needs. The Department incurs significant opportunity costs, which are difficult to quantify, by failing to develop accurate program use numbers and by failing to work with the community to offer programs that meet the communities' needs. By implementing the Budget Analyst's recommendations, the Recreation and Park Department would better plan and allocate recreation resources and serve the community.

Section 5. The Open Space Fund

In FY 2005-2006, the Open Space Fund budget is $27,746,427, which equals 23.8 percent of the Recreation and Park Department's total FY 2005-2006 budget of $116,630,020. During the last ten years, there has been an upward trend in Open Space Fund support for the Department's personnel costs in terms of (a) actual dollars budgeted for personnel each year, (b) the percentage of the Department's total personnel budget, and (c) the percentage of the Open Space Fund itself. During the four years from FY 2002-2003 to FY 2005-2006, while there has also been a significant upward trend in the Open Space Fund support for the Department's overhead costs, the Open Space Fund support for non-personnel and capital projects trended significantly downwards.

The Department was not able to provide data on the Open Space Fund during the 13 years of Proposition J (FY 1975-1976 through FY 1987-1988) or during the first seven years of Proposition E (FY 1988-1989 through FY 1994-1995). Therefore, the Department could not provide documentation to the Budget Analyst as to whether the Department fully complied with the Charter's Open Space Fund requirements during those years.

The Department complied with the Open Space Fund allocation requirements during the last five years of Proposition E (FY 1995-1996 - FY 1999-2000), including (a) spending a minimum of 24 percent of the total fund for property acquisition and development, (b) spending a minimum of 9 percent of the total fund for renovation and maintenance of properties previously acquired by Open Space Fund monies, (c) spending a minimum of 12 percent of the total fund for establishing and operating after school programs, and (d) spending no more than 15 percent of the total fund for administrative costs.

The Department has also complied with the Open Space Fund allocation requirements under Proposition C (FY 2000-2001 to date), with the exception that the Department has failed to routinely budget 3 percent of the total fund for an undesignated contingency reserve, as required by Proposition C. This needs to be rectified to ensure compliance with Charter requirements. Such a reserve would improve the financial condition of the Open Space Fund and would ensure that funding for unanticipated needs is available. The FY 2005-2006 shortfall for the undesignated contingency reserve is $52,585.

In the 30 years since 1975 that the Open Space Fund has operated, the City has spent $25,313,955 and accepted gifts, bequests, and inter-agency jurisdictional transfers to acquire 91.67 acres of land at 56 sites in nine of the 11 Supervisorial districts. District 2 (adjacent to the Presidio and the Golden Gate National Recreation Area) and District 4 (adjacent to Golden Gate Park and incorporating Stern Grove/Pine Lake Park) have not been allocated Open Space Fund monies for property acquisitions.

The Department is developing a much needed property acquisitions policy to guide future Open Space Fund property acquisitions. A formal property acquisitions policy will enable the Department to identify properties that it wants to acquire in order to achieve its long term recreation and park policy goals.

Section 6. The Golf Fund

The Department operates five City-owned golf courses: the Golden Gate, Harding, Fleming, Lincoln, and Sharp Golf Courses. A sixth City-owned golf course, Gleneagles Golf Course, is leased to a private golf course operator.

The renovation of Harding and Fleming Golf Courses has been expensive. At a final cost of $23,611,457, Harding and Fleming Golf Courses' renovation was $7,583,847 or 47.3 percent over the original estimate of $16,027,610.

To fund renovation of the Harding and Fleming Golf Courses, the Recreation and Park Department identified unspent State Proposition 12 monies, which were granted to the City by the State after State voters approved Proposition 12 in March of 2000. State Proposition 12 authorized the issuance of State bonds from which the proceeds would be used in part to provide grants to local agencies to fund neighborhood parks, recreational facilities, and recreational programs located in historically underserved or economically disadvantaged communities. In April of 2002 the Board of Supervisors approved (a) adding Section 10.100-256 to the Administrative Code, establishing the Golf Fund, effective July 1, 2002, and (b) spending State Proposition 12 grant funds to pay for the renovation of the Harding and Fleming Golf Courses. Administrative Code Section 10.100-256 provided that the Golf Fund would reimburse the Open Space Fund for the full cost of the Harding and Fleming Golf Courses' renovation projects advanced from the proceeds of State Proposition 12 grant funding, which equaled $16,627,627, plus matching Open Space Fund funds, which equaled $2,238,218, for a total payment due by the Golf Fund to the Open Space Fund of $18,865,845, plus interest.[3]

By using State Proposition 12 grant funds to renovate the Harding and Fleming Golf Courses, the availability of such State Proposition 12 grant funds was significantly delayed for recreation and park projects in historically underserved or economically disadvantaged communities.

To date, the Golf Fund has not repaid the Open Space Fund any of the $18,865,845 principal advanced from the State Proposition 12 grant funds or the Open Space Fund matching funds, and has only repaid the Open Space Fund $490,000 in interest payments on the $18,865,845 principal funds. The Department did not include sufficient funds in the FY 2005-2006 Golf Fund budget to pay the Open Space Fund for the total amount of interest on the principal payment, and will need to increase the FY 2005-2006 budgeted payment of $544,467 by $390,953, or 71.8 percent, to $935,420 in order to meet the correct debt service schedule.

The Department should review available strategies, including modifying Harding and Fleming Golf Courses' fee structure and increasing the percentage of rounds available for non-residents' use, in order to increase fee revenues to pay back the Open Space Fund for the total amount of the State Proposition 12 funds and Open Space Fund matching funds, equal to $18,865,845, as early as possible so that repayment will not take the full 25 years as is currently scheduled. By not taking the full 25-year repayment period, the total interest payments by the Golf Fund to the Open Space Fund would be reduced. Further, by paying the principal amount of $18,865,845 in less than 25 years, such monies plus the interest payments would become available earlier to the Open Space Fund in order to pay for a portion of the Department's Capital Program Phases I - III which is currently underfunded by $589,125,057.

Golf Fund performance has not reached expectations and golf fees do not fully recover the operating costs and debt repayment costs of the City's golf courses, let alone creating reserves for future capital improvements at Lincoln, Sharp, and Golden Gate Park Golf Courses. Far from being self-sufficient or generating surplus revenues, in FY 2004-2005 the Golf Fund required a $536,372 allocation from the General Fund in order to balance that year's budget. In FY 2004-2005, the Golf Fund revenues were $8,698,044, including $536,372 transferred from the General Fund, compared to total expenditures of $8,500,811, resulting in a year-end fund balance of only $197,233. By contrast, the 2001 pro forma financial analysis, prepared for the Department by an outside consultant, Economics Research Associates, projected a net operating income of $6,471,000 over the first six years of the renovated Harding and Fleming Golf Courses' operation.

---

[3] Administrative Code Section 12.100-256 required payment by the Golf Fund to the Open Space Fund of the total amount of State Proposition 12 grant funds and Open Space Fund matching funds allocated to the Fleming and Harding Golf Courses project, including interest, although Administrative Code Section 12.100-256 does not refer to the subject funds as a "loan."

Although demand to play at Harding and Fleming Golf Courses is high and the greens fee revenues have increased at the two subject courses, since Harding and Fleming Golf Courses reopened in 2003, there has been decreased play at the City-operated Lincoln, Sharp, and Golden Gate Golf Courses, thus partially offsetting the revenue growth at the renovated Harding and Fleming Golf Courses. Since 2000, the number of rounds played at the Lincoln Park Golf Course has fallen by 50 percent and the number of rounds played at the Sharp Park Golf Course has fallen by 38 percent.

Although FY 2003-2004 saw 92,664 rounds played at Harding and Fleming Golf Courses, the net impact across all golf courses was only 52,480 because 40,184 less rounds were played at Golden Gate Park, Lincoln, and Sharp Golf Courses. This situation was exacerbated in FY 2004-2005. Although 116,603 rounds were played at Harding and Fleming Golf Courses, the net impact across all golf courses was only 51,849 because 64,754 less rounds were played at Golden Gate Park, Lincoln, and Sharp Golf Courses.

The Department advises that the decline in rounds in FY 2004-2005 was exacerbated, to some degree, by the extraordinary amount of rain experienced by the City that winter. Nevertheless, the general downward trend experienced by the Lincoln and Sharp Golf Courses was also reflected at the better maintained Golden Gate Park Golf Course which saw an approximately 27.3 percent reduction in the number of rounds played in the three years between FY 2002-2003 and FY 2004-2005. Since the golf fees chargeable at Lincoln, Sharp, and Golden Gate Park Golf Courses have not changed in some time, the declining number of rounds has resulted in declining golf fee revenues from those three City-operated golf courses.

This downward trend in golf fee revenues from Lincoln, Sharp, and Golden Gate Golf Courses, coupled with the existing fee structure and the requirement that 65 percent of Harding and Fleming Golf Courses' tee times be set aside for San Francisco residents, generates insufficient revenue for the Golf Fund to (a) repay the Open Space Fund in accordance with Administrative Code Section 10.100-256, (b) construct and maintain capital improvements for all five Department-operated golf courses, and (c) generate funding for other recreation and park facilities, as intended by the Open Space Fund under Proposition C.

Both the Department and the Budget Analyst have determined that the Lincoln and Sharp Golf Courses are substandard. Neither golf course has a comprehensive capital improvement plan, including the estimated capital improvement project costs or schedule to complete such improvements. If the Department continues to neglect the infrastructural needs of Lincoln and Sharp Golf Courses, the assets will soon degrade to the point that they are no longer economically viable.

The October of 2005 World Golf Championships - American Express Championship tournament held at Harding and Fleming Golf Courses resulted in direct costs exceeding revenues by $141,619 ($641,619 in lost green fee revenues and increased operating costs, less the PGA Tour, Inc.'s $500,000 payment). The $141,619 net costs to the Recreation and Park Department is equivalent to the annual salary and mandatory fringe benefit costs of between 2.18 and 2.65 FTE

Classification 3417 Gardeners ($53,486 - $64,928 per year) and therefore represents a significant opportunity cost for the Department.

Under the agreement between the City and the PGA Tour, the $500,000 payment by the PGA Tour to the Recreation and Park Department was intended to cover any costs incurred by the Department to prepare and maintain the Harding and Fleming Golf Courses in accordance with PGA standards, as was required by the PGA in order for the October of 2005 World Golf Championships - American Express Championship tournament to be conducted in San Francisco. Under the subject agreement, the PGA Tour would not pay for any preparation and maintenance costs incurred by the City in excess of the $500,000 payment. The agreement also specified that the PGA Tour would pay the City 6.66 percent of gross operating revenues in excess of $10,000,000. According to the Budget Analyst's report to the March 10, 2004 Board of Supervisors Finance and Audits Committee, the Budget Analyst believed that it "would be highly unlikely that the City would receive any additional payments since the most optimistic gross revenue assumption estimated by the Recreation and Park Department is $5,000,000" (File 03-1977).

The Budget Analyst recognizes that the championship tournament did (a) generate benefits which are difficult to quantify in terms of City tourism revenues, and (b) raise the public profile of Harding and Fleming Golf Courses.

According to the Department, the tournament was considered very successful, and PGA Tour, Inc. has indicated its willingness to proceed with the scheduling of four additional tournaments in the future. While ensuring that the tournaments continue in order to benefit tourism revenues for the City as a whole, the Department should use its leverage based on the success of the recent tournament to renegotiate the terms of its Master Tournament Agreement with PGA Tour, Inc. in order for the City to at least fully recover its direct costs of staging the event in the future and to make a profit.

Section 7. Revenue Generating Programs, Capital Costs, and Cost Allocation

The Recreation and Park Department faces significant capital costs for Monster Park Stadium and Camp Mather without adequate funding sources to pay for such costs. Current revenues are insufficient to meet the capital needs of these two facilities. Additionally, the Department faces significant capital costs for the East Harbor of the Marina Yacht Harbor with uncertain funding.

Monster Park Stadium's estimated unmet capital needs are $23.7 million, but the Department has no specific funding source to pay for these repairs. Under the current lease agreement with the San Francisco Forty-Niners, the Forty-Niners will receive rent credits, totaling $4.25 million over the next three fiscal years, to make necessary stadium repairs. These rent credits have resulted in a $1.09 million decrease in Department operating revenues in FY 2004-2005, requiring additional General Fund monies to make up the difference, and will result in further reductions, totaling $3.15 million over the next two years. The Recreation and Park Department

General Manager should report to the Board of Supervisors prior to December 31, 2006 on the options for repair and replacement of Monster Park Stadium.

The City's family Camp Mather, located near Yosemite National Park, is funded entirely from fee revenues. Camp Mather needs an estimated $20 million in infrastructure and facility improvements, including the water and sewer systems. Although the Recreation and Park Department could potentially issue revenue bonds with voter approval or issue Certificates of Participation, annual debt service would have a significant impact on camp fees, requiring Camp Mather to increase annual revenues by as much as 60 percent to cover operating and debt service costs on $20 million in revenue bonds over 30 years at 5 percent interest. For example, a family of four, which currently pays $114 per night for a Camp Mather cabin, would have to pay an estimated $182 per night, which is $68, or 60 percent, more if such revenue bonds were issued. The General Manager should report to the Board of Supervisors during FY 2006-2007 on the current status of Camp Mather's operating and capital costs, the impact on fees, and the options for maintaining Camp Mather.

Both the East and West Harbors of the Marina Yacht Harbor need extensive repairs, but renovating the East Harbor may not be fiscally feasible because (a) California Department of Boating and Waterways funding for the East Harbor renovation is uncertain and (b) East Harbor dredging costs, due to contaminated soil, could range from $2.8 million to $7.6 million. According to the City Attorney's Office, the contaminated soil situation could result in litigation between the City and the Pacific Gas and Electric Company as to whose responsibility it is to fulfill the dredging work. The General Manager should provide a status report to the Board of Supervisors during the FY 2006-2007 budget review on (a) the status of the California Department of Boating and Waterways loan for the East Harbor renovation project, (b) the status of the City's legal dispute with the Pacific Gas and Electric Company, and (c) alternative revenue and cost scenarios for the Marina Yacht Harbor's West and East Harbors.

In FY 2002-2003 the Recreation and Park Department developed a cost allocation plan to (a) allocate Department and division administrative costs to funding sources and programs within the Department and (b) set overhead rates for Department employees who charge their time to capital and facilities maintenance projects. The Department allocates some costs to overhead rather than charging such costs directly to capital projects, resulting in very high overhead rates for the Capital Division staff and misallocation of Capital Division labor hours. The Capital Division overhead labor rate increased from 198 percent in FY 2004-2005, which already exceeded the national industry standard of 171.1 percent, to 254.6 percent in FY 2005-2006. The high overhead rates resulted in the Capital Division charging direct project costs as overhead across all capital projects rather than charging these costs to the actual capital projects for which such costs were incurred.

Section 8. Recreation and Park Department Property Use and Lease Management

The Recreation and Park Department has inadequate systems to monitor its property leases and revenue collections, and ensure coordination between Property Management and Revenue Unit staff. The Budget Analyst found several instances of late or missed rent payments during a review of the Department's 14 top revenue generating leases. For example, the St. Francis Yacht Club failed to make a $6,176 monthly rent payment to the Department in September 2002, and since that time the revenue unit has posted each subsequent monthly payment as a late payment. Under the Lincoln Park Golf Course lease agreement, the minimum annual guaranteed rent is to be increased by the Consumer Price Index through 1997, but the Department has failed to do this, resulting in an estimated underpayment of $19,000 in calendar year 2004.[4]

The Recreation and Park Commission approved an amendment to the lease agreement between the Department and the Japanese Tea Garden operator to reduce the minimum annual guaranteed rent for the Japanese Tea Garden operator in FY 2003-2004, from $280,000 annually to $150,000, after the operator failed to pay the minimum annual guarantee two years in a row, due both to a decline in tourism and construction of the adjacent de Young Museum, resulting in reduced revenues in FY 2003-2004 and FY 2004-2005, totaling $169,405. According to the City Attorney's Office, the reduced minimum annual guaranteed rent was not subject to Board of Supervisors approval pursuant to Charter Section 9.118(c)[5]. The Recreation and Park Department expects to select a new Japanese Teas Garden operator through a Request for Proposal process in January 2006 and needs to negotiate financial lease terms that acknowledge expected increased Japanese Tea Garden attendance and maximize lease revenues to the Department, comparable to FY 2000-2001 Japanese Tea Garden lease revenues of $286,493 based on attendance of 422,253. This new lease agreement is subject to Board of Supervisors approval.

The management agreement with Kemper Sports Management to operate Harding Park and Fleming Golf Courses makes the City responsible for repaying a loan taken by Kemper, without requiring Kemper to provide loan documentation to the City. According to the City Attorney's Office, the management agreement with Kemper Sports Manager was not subject to Board of Supervisors approval pursuant to Charter Section 9.118(c). The management agreement allows Kemper to borrow up to $2 million from a financial institution of its choosing to (a) pay for operating costs prior to the opening of Harding and Fleming Golf Courses and (b) to construct interior improvements to the new Harding Golf Course clubhouse. Under the management agreement, the City is obligated to reimburse Kemper for the monthly loan payments.

---

[4] The Lincoln Park Golf Course's percentage rent was sufficient in 2003 and earlier years to meet what would have been required to be paid as minimum annual guaranteed rent, based on Consumer Price Index adjustments.

[5] Charter Section 9.118(c) requires Board of Supervisors approval of leases of ten years or more or with revenues of $1 million or more.

According to the Recreation and Park Department, Kemper Sports Management has borrowed $969,640 under the loan agreement. Kemper refused to provide the Budget Analyst with copies of the applicable loan documents. The Board of Supervisors should adopt an ordinance, amending the Administrative Code, that requires Board of Supervisors approval for all leases and management agreements entered into by any City department, which makes the City responsible for the payment of any loans made under lease or management agreements.

Further, the General Manager should demand copies of the subject loan documents from Kemper Sports Management, and should request the Controller to audit the management agreement with Kemper if such loan documents are not provided. The Department should immediately request the loan documents, and if Kemper Sports Management refuses to both (a) provide the loan documents to the City within 30 days of the Department's request, and (b) cooperate with a subsequent audit by the Controller, the Recreation and Park Department should terminate the management agreement with Kemper.

The Rod and Gun Club, has occupied Lake Merced property owned by the Public Utilities Commission. However the Club has been under the jurisdiction of the Recreation and Park Department since the 1930s. According to a risk assessment conducted by a consultant for the Public Utilities Commission, the Road and Gun Club has contaminated the soil with lead shot prior to switching to steel shot in 1994. Because lead shot was a permitted use prior to 1994, the costs of lead mitigation, of which $3 million are currently budgeted in the Public Utilities Commission's Water Supply Improvement Program, are borne by the Public Utilities Commission and the water ratepayers rather than by the Rod and Gun Club. According to Public Utilities Commission staff, although the current use of the site by the Rod and Gun Club does not in itself present undue risk, debris from gun shot can still present a problem, overburdening the site. Because the Rod and Gun Club currently operates at the Lake Merced property on a month-to-month lease at a rent of only $4,250 per month, and because of the issues discussed above, the Recreation and Park Department should determine if the existing month-to-month lease with the Rod and Gun Club is the best use of the Lake Merced property or if the Department should enter into a lease agreement for the subject property for other types of property uses consistent with the Lake Merced Master Plan, under development by the Public Utilities Commission.

The Recreation and Park Department should also determine the best uses of the Lake Merced Boathouse, with the intent that the lessee would pay for capital repairs and improvements at a minimum estimated cost of $500,000. Under a current draft Request for Proposals, the Recreation and Park Department suggested several different uses, ranging from purely commercial to mixed use to recreational, without the Department first determining how the property should best be utilized. The Recreation and Park Department should determine the best uses of the Lake Merced Boathouse, considering the capital costs and community preferences, prior to issuing the Request for Proposals.

The Recreation and Park Department generates approximately $22.4 million annually in property lease revenues, as discussed on pages 130 of this report. If the Department were to increase property revenues by only 1 percent annually, through better management of existing lease agreements and negotiated rents that maximize the Department's rental revenues, the Department would increase revenues by approximately $224,000 annually.

Section 9. Management of Permits, Fees, and Other Revenues

Section 7 of the Park Code requires that the Recreation and Park Department issue permits for all events conducted on Recreation and Park Department property and authorizes the General Manager to impose reasonable conditions on approval of a permit application in order to insure that public or private property is not damaged and that the comfort, convenience, safety or welfare of the public is not disturbed.

Section 12 of the Park Code sets fees for permitted use of Recreation and Park Department property. Except for cost of living fee adjustments, as computed by the Controller, any revisions of such fees are subject to approval of the Board of Supervisors. Under Park Code Sections 12.23, 12.24, and 12.25, which were approved by a Board of Supervisors ordinance in FY 2003-2004, the General Manager is granted the discretion, without specific Board of Supervisors approval, to set other fees, in addition to those specifically identified in the Park Code, as appropriate for certain events conducted on Department property, which include commercial and community events, film, photography and video events and parking or other encroachments.[6] Such discretionary fees result in various impacts to park property. For example, a "regeneration fee" is charged by the Department to event sponsors to offset the costs of restoring grass and other grounds after an event is conducted on park property.

Although the 1996 Charter required Board of Supervisors approval for all fees, except for discretionary-type fees referred to above, the Recreation and Park Department continues to charge a $35 facility use fee to community organizations to use Recreation and Park facilities for various events which have not been approved by the Board of Supervisors and included in the

---

[6] Park Code Section 12.22, which sets fees for events on Recreation and Park Department property, provides that the Department may charge any "additional fees determined by the General Manager, or a designee, to be necessary to compensate the Department for the anticipated impact on park property and/or services, the disruption of normal park usage and the inconvenience to the public, because of the type of event, the location, the number of expected participants and other similar factors" . Park Code Section 12.24, which sets fees for film, photography and video events on Recreation and Park Department property, provides that the Department may charge any "additional fees determined by the General Manager, or a designee, to be necessary to compensate the Department for the anticipated impact on park property and/or services, the disruption of normal park usage and the inconvenience to the public, because of the type of event, the location, the number of expected participants and other similar factors" . Park Code Section 12.25, which sets fees for encroachment on Recreation and Park Department property, provides that the Department may charge "any additional fees and/or costs that the General Manager, or a designee, determines appropriate based on the anticipated impact on park property and/or services, because of the type of activity, number of workers, type and amount of equipment to be placed or transported over park property, and other similar factors".

Park Code. The Department applied the $35 facility use fee in seven, or 14 percent, of 50 randomly-selected permits reviewed. In response to the management audit, the General Manager has stated that, "Rather than formalize a $35 service fee, the Department will undertake a complete review and restructure of the entire event permit fee schedule to make all fees equitable, transparent, and enforceable for all users".

However, the Budget Analyst recommends that this $35 facility use fee be submitted to the Board of Supervisors for approval. Further, the Recreation and Park Department should comply with the Park Code by submitting all non-discretionary fees to the Board of Supervisors for approval.

In the review of 50 randomly-selected permit and reservation files, the Budget Analyst found that the Recreation and Park Department charged fees that were consistent with the Park Code in only 22, or 44 percent, of the 50 permits or reservations.

The Park Code allows the Recreation and Park Commission to adopt policies and regulations authorizing the General Manager to reduce or waive fees or costs imposed under the Park Code in cases of demonstrated financial hardship when a permit applicant meets all other permit requirements. The Recreation and Park Commission's written policy states specifically that fees may be waived for nonprofit organizations in exchange for services. The Department has a long standing practice to waive fees for youth and school groups and for media and press events. However, such fee waivers are not being submitted to the Board of Supervisors for approval.

The Department waived fees entirely in 10, or 20 percent of the 50 permits reviewed. In one case, the Recreation and Park Department violated the Park Code in granting a permit but not charging a fee to the Boudin Embarcadero commercial event, which consisted of parking a refrigerated mini van on the concrete area outside the Boudin Store on Justin Herman Plaza. The Park Code has established a $500 minimum fee to encroach on park property, including parking vehicles. All fee waivers not authorized by the Park Code should be submitted by the Recreation and Park Department for approval of the Board of Supervisors, prior to granting such waivers.

The Department also violated the Park Code by charging a fee that was less than the fee established by the Park Code, indicating a lack of management control and lack of consistent procedures. For example, the Recreation and Park Department Permits and Reservation Unit staff issued a permit to KNBR Radio for a commercial event promoting SBC and the Giants home opener, and charged KNBR Radio the non-commercial rate of $500 listed in the Park Code rather than charging the appropriate commercial rate, which provides for a minimum fee of $5,000 as listed in the Park Code. This inappropriate fee reduction to KNBR Radio was not submitted to the Board of Supervisors for approval.

Department policy requires that individuals and organizations pay for permits and reservations prior to receiving the permit. The Park Code has established fees for commercial events based on attendance. Under the Park Code, sponsors of gated commercial events pay $10,000 or 25 percent of all gated receipts, whichever is higher, and the Department charges the event sponsors for any additional fees owed after the event has been held. For five events managed by the commercial promoter, Events West, the Department did not collect past due fees for prior years' events, including fees that are owed based on prior years' receipts, before approving a new permit. The Department approved and issued event permits for three consecutive years to Events West, a production company, for Reggae in the Park, although the Department received no payments for the 2001 Reggae in the Park and did not receive full payment for the 2002 and 2003 Reggae in the Park events. The Department approved and issued event permits to Events West for the 2003 A la Carte a la Park, although Events West had not paid in full for the 2002 A la Carte a la Park. In May of 2005, the Recreation and Park Department Director of Administration and Finance issued a demand letter to Events West to pay the outstanding balance of $62,000 in outstanding event fees in full for the period from 2001 through 2003 within 72 hours and when the Events West did not pay, referred the issue to the City Attorney's Office. The Recreation and Park Department should not issue any future permits to Events West until all past due amounts payable to the City are paid in full by Events West. The Budget Analyst further recommends that the Park Code be amended to prohibit permit issuance when the permit applicant owes the Department for prior events.

Organizations and individuals conduct classes at Recreation and Park Department facilities and charge participants to attend the classes but do not pay rent to the Recreation and Park Department to use the facility, since the Department does not require any written license agreements for such rentals. These rentals should be authorized under written license agreements by the Department's Property Management Unit. For example, Tuesday evening Hawaiian dance classes are provided at the Sunset Recreation Center, and several different classes are provided at the Harvey Milk Recreational Arts Center by individuals and organizations who charge participants to attend the classes but do not pay rent to the Department.

If the Recreation and Park Department increased permit and fee revenues by only 1 percent annually through rigorous application and collection of fees and charges, selected fee increases, and centralized marketing of Department properties, the Department would realize an estimated $100,000 per year in additional operating revenues.

Section 10. Cash Handling Practices

The Recreation and Park Department lacks comprehensive cash and revenue handling policies and procedures, resulting in Department staff developing a variety of informal and ad hoc procedures. This lack of controls means that significant amounts of cash are not routinely accounted for and recreation center staff are handling or carrying cash without procedures to safeguard or deposit the monies.

Recreation center staff have no standard procedures for storing copies of receipts for cash payments from the Department's customers enrolling in center programs. Many recreation center staff said that they simply put the receipt book in a drawer and never look at it again. At one recreation center, the Upper Noe Valley Recreation Center, staff give two receipts for each payment, including an informal receipt to the nanny or caretaker as well as the formal receipt to the parent.

Recreation center staff often keep the cash in their own wallets or take the money home with them prior to turning the cash into the Revenue Unit at McLaren Lodge. In other instances, the recreation center staff turn the cash into their supervisors, but supervisors stated that they did not know where recreation center staff kept the cash, and did not count the cash or reconcile the receipts with the daily record of cash receipts.

The Department also has several informal petty cash funds. The Oceanview Recreation Center staff collect money to pay for tee-shirts for adult basketball players, without recording the receipts and accounting for the cash to pay for such tee-shirts. The Upper Noe Valley Recreation Center maintains two sets of informal petty cash funds: one fund contains $50 from cash receipts to buy tennis supplies and the other fund contains $100 from cash receipts paid by parents to the Kids Gym program to pay a private guitar player to provide entertainment to the children for two hours per week.

Swimming pool receipts are transported in locked boxes by armored transport from the swimming pools to the McLaren Lodge Revenue Unit. Although the Department's policy is to have two staff members sort the swimming pool receipts, in accordance with the generally accepted cash handling practice to require two employees to count cash to reduce the risk of theft, the management audit observed one employee, alone in a cubicle with a large box of bills, with no other person in the cubicle and no visible oversight.

Although the Budget Analyst did not identify lost cash receipts due to the Department's inadequate cash handling practices, the Department's risk of such loss is extremely high. Implementation of the Budget Analyst's recommendations would tighten controls over cash handling and reduce the risk of loss through mishandling or theft.

Section 11. Park Patrol

The Park Patrol unit is intended to provide Recreation and Park Department facility security, with primary responsibility for enforcing provisions of the Park Code. Because the Park Patrol unit has only five staff, including the supervisor, who are scheduled for 30 hours per week, the Park Patrol unit's main functions are issuing parking citations and locking facilities and setting alarms at night.

The Recreation and Park Department Park Patrol unit does not have adequate management tools to define the Park Patrol unit's purpose, policies, and procedures. Except for informal and ad hoc procedures, the Park Patrol unit has no standardized procedures for carrying out its security and Park Code enforcement functions. This lack of standardization in not only inefficient, because routine functions are not performed in a consistent manner, but also puts the Department at risk if the Park Patrol unit does not have clearly defined procedures to respond to events such as emergency calls and alarms.

One of the Park Patrol unit's major functions is the writing of parking citations for parking violations on Recreation and Park Department property. In FY 2004-2005, the Park Patrol collected approximately $158,000 in parking citation revenues, based on 2,604 parking citations, including 2,048 parking citations in Golden Gate Park and 556 parking citations in the Marina, with an estimated 80 percent collection rate. Because the Municipal Transportation Agency receives all parking citation revenues under the Charter, the Recreation and Park Department should meet with the Metropolitan Transportation Agency's Department of Parking and Traffic to discuss the transfer of all parking citation functions on Recreation and Park Department property from the Recreation and Park Department to the Metropolitan Transportation Agency's Department of Parking and Traffic.

The Recreation and Park Department has security needs that cannot be fully addressed by the Department's Park Patrol five person unit. The General Manager should develop an overall security plan that identifies the roles of the Department's respective staff members, including recreation directors, custodians, gardeners, and Park Patrol officers, in locking facilities, and reporting and following up on security incidents.

Monster Park Stadium has a camera surveillance system that is obsolete. The existing analog recorders of Monster Park's closed circuit surveillance system each record the activities captured by four cameras, on a time-sharing basis. Thus, imagery from an area under surveillance is much less complete than that recorded by state-of-the art digital recording systems with simultaneous recording that permit 100 percent coverage of each area under surveillance. Further, a National Football League *best security practice* specifies digital systems.

The Budget Analyst has been advised that Homeland Security grant funding may be available to procure a digital recording system. The Budget Analyst recommends that the General Manager, Recreation and Park Department, investigate the advisability of procuring the subject equipment and if warranted, seek such funding.

Section 12. Maintenance Management

The Recreation and Park Department's Structural Maintenance Division lacks the basic management tools, such as performance measures and standards and work rules, to direct the Division's activities. Consequently, the various trade shops within the Division apply disparate work rules and standards, resulting in inconsistent standards of performance.

The Structural Maintenance Division uses planning only for capital projects, and performs very little preventive maintenance. For FY 2005-2006, 170 of 3,593 completed work orders, or only 4.7 percent, are classified as preventive maintenance. Much of the Division's maintenance work is performed in reacting to emergencies and other corrective work requests.

Because of the lack of planning for maintenance projects, the Structural Maintenance Division staff can travel up to 30 minutes to reach a work site and arrive without the necessary tools, resulting in lost productivity. The Department faces high opportunity costs in lost productivity due to poor planning. Implementation of the Total Managed Asset maintenance management system in FY 2005-2006 and improved maintenance planning should result in increased Structural Maintenance Division productivity. The Budget Analyst estimates that a 1 percent increase in Structural Maintenance Division productivity would equal approximately 0.9 full time equivalent positions or approximately $87,500 annually in salaries. To increase planning and supervision within the Structural Maintenance Division, the Budget Analyst has recommended that the Recreation and Park Department (a) fill the Maintenance Manager position that was authorized in the FY 2005-2006 budget, and (b) fund two Maintenance Planner and one Supervisor position, with total FY 2005-2006 salary and fringe benefit costs of $316,119 by deleting four trades positions, which have been vacant for over one year, with total FY 2005-2006 salary and fringe benefit costs of $311,243, resulting in total increased costs of $4,876.

The Structural Maintenance Division is authorized three Classification 7311 Cement Mason positions. One position has been vacant since FY 2002-2003. Filling the Classification 7311 Cement Mason position is vital to providing effective support to the trades that the cement masons heavily support, particularly the plumbers and the carpenters, and to ensuring that the Recreation and Park Department's sidewalks and retaining walls are maintained. The Budget Analyst observed sidewalks and/or retaining walls at the following locations that are in deplorable condition.

- Alamo Square, Scott and Hayes Streets: Numerous uneven sidewalks.

- Kimball Playground, Pierce and Ellis Streets: Deteriorated and uneven sidewalk across from 1329 Ellis Street.

- Argonne Playground, 18th Avenue between Gerry Boulevard and Anza Street: Uneven and deteriorated sidewalks.

- Garfield Square, Treat Avenue and 25th Street: Uneven and deteriorated sidewalks.

The Recreation and Park Department has been cited by the Department of Public Works for maintaining unsafe sidewalks.

Section 13. Materials Management

The Recreation and Park Department's inventory controls are inadequate. The Department lacks materials management policies and procedures, and thus lacks standardization and accountability in purchasing, storing, and recording use of the Department's materials and supplies.

The Recreation and Park Department Structural Maintenance Division has no inventory of maintenance materials and supplies, despite an annual materials and supplies budget of $899,900. The sheet metal and carpenter shops keep informal records of materials on hand but none of the trade shops keep a running total of inventory balances. Structural Maintenance Division staff charge capital projects for materials and supplies but do not charge maintenance work orders. Consequently, the Recreation and Park Department has no means to audit materials and supplies usage and cannot calculate the value of its existing inventory. Also, the Recreation and Park Department has not conducted a physical count of the Department's general inventory in at least five years.

Under current practice, Structural Maintenance Division staff purchase low-price items on departmental purchase orders, which requires processing a separate purchase order for each item, rather than blanket purchase orders which allow several low-price items to be purchased from a vendor on a single purchase order. For example, the Structural Maintenance Division used a departmental purchase order to purchase an electrical ground rod and clamp from an electrical supply company for the purchase price of $13.65, including tax, which was less than the Department's cost to process the departmental purchase order of $15.00, effectively doubling the cost of the purchased item. The Recreation and Park Department should train Department staff on the proper use of blanket purchase orders and restrict use of blanket purchase orders to the appropriate supervisor or manager level to ensure control over purchases.

The Recreation and Park Department nursery, which grows and supplies plants for use in the Golden Gate Park and throughout the City's parks, is located in a large area adjacent to the Structural Maintenance Division. In the southwest corner of the nursery, in an area of approximately one acre, is located an auxiliary storage area or "bone yard." Therein, the Structural Maintenance Division has stored all manner of material in various stages of disrepair or obsolescence. The bone yard contents include miscellaneous pipes and flanges, paraphernalia from a pagoda, backflow devices, old lamp poles, sewer pipe, electrical conduit, fencing, manhole covers, electrical vaults, statues of dogs, irrigation boxes, a building canopy, and many other items including a dump trailer that appears to be serviceable. Some of the items such as contractor leftover parts have never been used. The Structural Maintenance Division does not maintain an inventory of the items in the bone yard.

The management of the Recreation and Park Department should not permit the operation of this auxiliary storage area or "bone yard" to continue. In accordance with proper administrative practice and proper safeguarding of City property, "bone yard" items should be brought under inventory control or disposed of.

Section 14. Health, Safety, and Environmental Issues in the Structural Maintenance Division

The Recreation and Park Department has not ensured a safe and healthy work environment in the Structural Maintenance Division. A November 8, 2005 inspection by Public Utilities Commission Health and Safety and Environmental Regulation staff found several deficiencies, including poor housekeeping in the maintenance and crafts shops, blocked access to electrical panels, improper storage of hazardous materials, no documentation of emergency eye wash and shower station inspections, and other deficiencies. The Structural Maintenance Division Manager should review the November 8, 2005 inspection report and address and correct the deficiencies noted in the report.

The Structural Maintenance Division has a high rate of workplace injury and illness as does the Recreation and Park Department as a whole. The Structural Maintenance Division's lost work days due to work place injury or illness over the past five fiscal years has ranged from 197 days in FY 2000-2001 to 346 days in FY 2004-2005. The Structural Maintenance Division's work place injury incidence reported to the U.S. Occupational Health and Safety Administration is 34.74 incidents per 100 employees annually, compared to an industry rate for repair and maintenance organizations of 5.8 incidents per 100 employees annually. The Structural Maintenance Division Manager should work with the Recreation and Park Department's Environment, Health and Safety Manager to implement a plan to significantly reduce the incidence of injury in the Structural Maintenance Division.

Section 15. Automotive and Mobile Equipment Management

The Recreation and Park Department's management of its vehicle fleet has been inadequate. The Recreation and Park Department has not ensured that the Department's vehicles maintained by the Central Shops received preventive maintenance on a timely basis. As of November 28, 2005, 44 of 81 or 54.3 percent of the general-purpose vehicles maintained by Central Shops for the Recreation and Park Commission were overdue for the six-month preventive maintenance inspection The lack of preventive maintenance could result in estimated increased vehicle maintenance costs of $88,582 to $132,874 annually. Also, the Department of Administrative Services Central Shops has not transferred five of the Department's 81 general purpose vehicles to the City's Fleet Management program, as required by the Administrative Code, through an oversight.

The Recreation and Park Department has not repaired or otherwise followed up on a March 9, 2005 Department vehicle accident for more than nine months. Although the driver of the non-City vehicle was at fault in the accident and that driver's insurance company tried to discuss settlement with Recreation and Park Department staff, the Department has not followed through on repairing the Department's damaged vehicle or seeking reimbursement from the non-City driver's insurance company. The Recreation and Park Department should seek $5,735 in reimbursement from the insurance company to cover the cost of the Department's vehicle repair and the Department's employee's lost work time.

Section 16. Managing the Capital Program

Over the past 15 years, there has been considerable scrutiny of, and investment in, the Department's capital assets and capital assets operated by other entities which are located in the City's parks, such as museum facilities and the Zoo. The single most significant location of investment is in the area of Golden Gate Park's Music Concourse, which has received an investment of approximately $649.5 million, the cumulative total of $202 million in private funding for the new de Young Museum building, $55 million in private funding for the new Music Concourse Parking Garage, and $392.5 million in public and private funding for the new California Academy of Sciences building.

The Capital Program Phase I currently comprises 221 projects with a revised total estimated cost of $588,667,528, or $36,125,057 more than the current appropriations of $552,542,471. Capital Program Phase II and Phase III specify an additional 229 projects to be performed at 154 sites at an estimated additional cost of $553,000,000. The Department currently has no funding plan or scheduling plan for Phase II and Phase III which would increase the total Capital Program cost to $1,141,667,528 for 450 projects. The current projected funding shortfall to pay for all Phase I - III projects is $589,125,057.

Nevertheless, 70 projects have been completed, closed out, or cancelled for less cost than originally estimated and appropriated. A remaining $2,323,309 surplus appropriation for those 70 projects has not yet been reallocated to other projects, despite the Capital Program Phase I's projected funding deficit of $36,125,057. Under-expenditures for one set of projects inevitably have an opportunity cost in terms of other projects which cannot use those funds until they are released for reallocation. Therefore, it is essential for the Department to be able to close out completed projects as quickly as possible in order to reallocate surplus funds to under-funded capital improvement projects.

In May of 2004, 19 capital projects were put on hold due to a projected funding shortfall at that time of $56.14 million. Eight capital improvement projects remain on hold given the ongoing funding shortfall for the Capital Program as a whole. The Department has not finalized the budgets for these eight capital improvement projects.

In its *Capital Plan - 2004 Annual Update*,[7] the Department stated that, "In the past, projects were initiated with little direction as to the scope, budget or schedule at any specific site. This led to unmanageable expectations of communities that were given free rein to develop project scopes without care to cost or supported need." The Department needs to formalize its capital improvement project evaluation and selection criteria to best determine, as funding becomes available, which capital improvement projects should move forward. This would allow the Department to maximize the value of that funding in terms of achieving pre-determined priorities across the recreation and park system as a whole.

Voters approved $116.7 million for the California Academy of Sciences rebuild project, which in FY 1999-2000 was estimated to cost approximately $230 million. Therefore, voters were approving City bond funds for approximately 50.7 percent of the total estimated project cost.

---

[7] Recreation and Park Department, Capital Improvement Division, *Capital Plan - 2004 Annual Update* (March, 2005), page 118.

However, since the estimated total project cost has subsequently increased to $392.5 million, City bond funds now only represent approximately 29.7 percent of that revised total cost estimate.

The Department's $9.4 million rebuild of the Martin Luther King, Jr. Pool cost $3.2 million or approximately 51.6 percent more than the $6.2 million estimated at the project's commencement and took two years longer than scheduled. The construction contract has still not been closed out despite project completion over four years ago in October of 2001.

The Harding and Fleming Golf Course renovations completed in 2005 cost $23,611,457, which was approximately $7,583,847 or 47.3 percent more than the $16,027,610 estimate in 2002.

The Department needs to develop a comprehensive plan for citywide renovation projects, and incorporate the Urban Forestry and Natural Areas Programs into its Capital Plan. A comprehensive plan for citywide renovation projects would prevent deferred maintenance and the ultimately more expensive renovation or replacement projects which are caused by deferred maintenance. Ideally, a comprehensive plan for citywide renovation projects would reduce the need for capital programs, such as the current one, which are driven primarily by the cumulative deferred maintenance needs of the recreation and park system as a whole rather than by, for example, a desire to address proactively the City's changing recreation and park needs. Both the Urban Forestry and the Natural Areas Programs should be incorporated into the Capital Plan given their political significance and the significant resources associated with each program.

The Department needs to address the seismic deficiencies of facilities, which house the Department's administrative staff. Housing City administrative staff in seismically unsafe buildings represents a significant liability to the City, particularly given how long the Department has known about the seismic deficiencies of certain buildings. The Department needs to both (a) address the known seismic deficiencies of the structures which house administrative staff, and (b) evaluate the seismic safety of the remaining structures which house administrative staff so that a determination can be made about whether corrective work is required.

Section 17. The Capital Program's Funding Sources

The funding sources for the Capital Program Phase I's current total appropriation of $552,542,471 comprise (a) 22.9 percent from the General Fund, the Open Space Fund, Downtown Park Funds, and other departments' funds, (b) 57.3 percent from bonds, (c) 16.0 percent from grants, and (d) 3.8 percent from gifts.

The Capital Program has never been fully funded. The projected Capital Program Phases I - III shortfall is $589,125,057. In order to fund the Capital Program Phases I - III fully, the Department will need to consider the full range of funding options, including: (a) new general obligation and/or lease revenue bonds, (b) increasing its revenues from competitive grants and philanthropic gifts, (c) public/private partnerships, (d) public sector partnerships with agencies which have overlapping needs and facilities, (e) small business and corporate sponsorship, (f) special voter-approved tax assessments and expansion of downtown park funds, and (g) increased revenue generation from renovated, rebuilt, and new facilities.

To date, the Department has not developed an overarching plan to increase its funding from grant and philanthropic gift sources. However, the Department has hired a grant writer, is planning to hire a Director of Partnerships and Property Management, and works closely with the Parks Trust. While the Department has applied for $14.7 million in competitive grant funds which it was not successful in winning, the Department has had considerable success in obtaining grant funds for its Capital Program Phase I of $88,385,102 to date. The Department needs to continue focusing on submitting well-supported grant applications to all possible grant-funding agencies. The Department has funded only a modest portion of its Capital Program Phase I from gift funds. The Department needs to canvas as wide a pool of donors as possible, particularly for those projects where Department facilities will also be venues for social services delivered by other agencies with different mandates and, therefore, different potential donor pools.

Going forward, the Department also needs to develop, and win political support for, ongoing funding mechanisms to support (a) its own ongoing capital asset maintenance obligations, (b) its ongoing capital asset maintenance obligations related to other organizations' capital programs, and (c) its future facility replacement program. Ongoing funding mechanisms to support the Department's capital assets and other organizations' capital assets located on Department property are essential to (a) maintain the assets' value, (b) prevent deferred maintenance backlogs which could result in major capital programs in the future, and (c) encourage ongoing philanthropic gifts.

Section 18. Monitoring Capital Project Budgets

The Recreation and Park Department Capital Division lacks adequate standards for monitoring capital project budgets or closing out completed capital projects. Capital Division project directors vary widely in the processes they use to track and document capital project costs.

The Capital Division submits monthly financial reports to the General Manager, the Recreation and Park Commission, and the Parks, Recreation, and Open Space Advisory Committee. However, the project directors' reporting and documentation of capital project costs do not reconcile with the Capital Division's monthly financial reports. The Recreation and Park Department needs to establish standard protocols for all project directors that (a) clearly define the responsibilities of Recreation and Park Department project directors in managing capital project budgets, including construction budgets under the management of the Department of Public Works project managers, and (b) set standards for tracking and documenting actual project costs against project budgets.

The Capital Division also lacks clear procedures for closing out capital projects once they are completed. According to a report provided by the Department's Capital Division, 67 capital projects have been completed but have not yet been closed out as of October of 2005. On average, these 67 projects had been completed or open to the public for 24 months. These projects had a net unexpended balance of $2.2 million, which could be re-allocated to other projects. The Recreation and Park Department should establish clear guidelines to close out the construction phase of capital projects and to close out capital projects in the City's financial system, FAMIS, to ensure that unexpended project balances are available to be re-allocated.

The Recreation and Park Department's Written Response

The Recreation and Park Department General Manager's written response is attached to this management audit report beginning on page 259. The management audit report includes 169 recommendations, of which 167 fall within the purview of the Recreation and Park Department and the Recreation and Park Commission. The Recreation and Park Department's written response agrees with 138, or approximately 82.6 percent, of those 167 recommendations, and partially agrees with 24, or approximately 14.4 percent, of those 167 recommendations. The Recreation and Park Department disagrees with five of those 167 recommendations, or approximately 3.0 percent. Of the remaining two recommendations (169 less 167), Recommendation 8.1 is within the jurisdiction of the Board of Supervisors and Recommendation 15.3 is within the jurisdiction of the Department of Administrative Services Central Shops.

According to the Recreation and Park Department General Manager's written response, the Recreation and Park Department disagrees with the following five recommendations for the reasons outlined below:

- The Recreation and Park Department disagrees with the Budget Analyst's Recommendation 4.21, which recommends that the Recreation and Park Commission review and approve the protocols, plans, policies, and procedures, and list of core services contained in Recommendations 4.1, 4.4, 4.7, 4.9, 4.10, and 4.14. According to the General Manger's written response, "Review and approval is more properly a management function; however, the Commission will be updated regularly on the Department's progress".

  Budget Analyst response: The Budget Analyst considers policies (a) governing the Department's relationship with the community and (b) establishing criteria to define core recreation and park services to be important for Recreation and Park Commission review and approval. Therefore, the Budget Analyst continues to recommend that policies (a) governing solicitation of community input (Recommendation 4.1), (b) establishing criteria to define core recreation and park services and developing goals for core programs (Recommendations 4.9 and 4.10), and (c) developing policies and procedures related to community partnerships (Recommendation 4.14) be submitted to the Recreation and Park Commission for review and approval.

  Based on the discussion at the December 16, 2005 exit conference, the Budget Analyst concurred with the Department that developing a plan to address recreation trends (Recommendation 4.4) and protocols for checking the integrity of data (Recommendation

4.7) are within the scope of management and therefore revised Recommendation 4.21 to delete reference to Recommendations 4.4 and 4.7.

- The Recreation and Park Department partly disagrees with the Budget Analyst's Recommendation 8.6 to recommend financial terms in the prospective Japanese Tea Garden lease to the Recreation and Park Commission that maximizes lease revenues based on expected increases in Japanese Tea Garden attendance, including achieving revenues of at least $280,000 annually based on attendance of 425,000. According to the General Manager's written response, "The Department will do all it can to maximize revenue from the Japanese Tea Garden. The level of attendance at the Japanese Tea Garden, even with the re-opening of the deYoung Museum does not support a revenue expectation of $280,000 annually. The Department expects to re-bid the concession for the Tea Garden at approximately the time that the Academy of Sciences re-opens. At that time the Department will review the appropriate minimum guarantee for the lease".

  Budget Analyst response: As noted in Section 8, pages 132 and 133 of the management audit report, rent, under the July 1, 2003 lease agreement between the Recreation and Park Department and Fashion House, Inc., the existing lessee which is operating the Japanese Tea Garden, was significantly reduced from the prior agreement, resulting in the annual minimum guaranteed rent decreasing from $280,000 to $150,000, or a reduction in minimum guaranteed rent of $130,000 annually.

  Although Japanese Tea Garden attendance fell after September 11, 2001, due to a decrease in San Francisco tourism and the construction of the adjacent deYoung Museum, attendance is expected to increase due to the opening of the new deYoung Museum and the 800-space Music Concourse Parking Garage. The Department is expected to select a new Japanese Tea Garden operator in January of 2006 as the result of a Request for Proposals process, and the Budget Analyst recommends that the Department negotiate a new lease that acknowledges increased attendance and ensures revenues of at least $280,000 annually based on attendance of 425,000 annually, which is comparable to the Department's Japanese Tea Garden lease revenues under the prior lease in FY 2000-2001, in which the Department received $286,493 based on attendance of 422,253.

  The Budget Analyst notes that, in accordance with Charter Section 9.118, which requires Board of Supervisors approval of leases of ten years or more or with revenues of $1 million or more, the subject lease will most likely be subject to Board of Supervisors approval.

- Kemper Sports Management operates the Harding Park Golf Course under a management agreement with the Recreation and Park Department. The management agreement with Kemper Sports Management allows for Kemper to borrow up to $2 million from a "financial institution of its choosing" to pay for operating costs prior to the opening of Harding and Fleming Golf Courses and to construct interior improvements to the new Harding Park Golf Course clubhouse, for which the City is obligated to reimburse Kemper the monthly loan payments and repay the loan in full if the management agreement terminates, except in the event of default by Kemper. According to the Recreation and Park Department, Kemper Sports Management has borrowed $969,640 under the loan agreement. Kemper Sports Management has never provided the loan documents to the Department. In fact, Kemper Sports Management rejected the Budget Analyst's request for Kemper to provide copies of the loan documents to the Budget Analyst.

The Recreation and Park Department disagrees with Recommendation 8.9 to terminate the management agreement with Kemper Sports Management if Kemper Sports Management refuses to both (a) provide the loan documents to the City within 30 days of the Department's request (as noted in Recommendation 8.7) and (b) cooperate with a subsequent audit by the Controller (as noted in Recommendation 8.8). According to the General Manager's written response, "Kemper Sports Management has proven to be an effective manager of the Harding Park Golf Course to date. Indeed, Harding Park currently functions better than any of the Department's other golf courses and the Department values its relationship with Kemper accordingly. The Department has begun discussions with Kemper about sharing the loan documents with the City and believes that this recommendation will soon be moot".

Budget Analyst response: The Budget Analyst totally disagrees with the Recreation and Park Department General Manager on this point. As noted in Section 8, pages 134 and 135 of the management audit report, the management agreement between the Recreation and Park Department and Kemper Sports Agreement makes the City responsible for repaying a loan taken by Kemper without requiring Kemper to provide loan documentation to the City and without Board of Supervisors approval. As previously noted, despite the Budget Analyst's request, Kemper Sports Management has refused to provide copies of the loan documents. The Budget Analyst recommends that the Department immediately terminate the agreement with Kemper Sports Management and rebid the management agreement to operate Harding Park Golf Course if Kemper Sports Management does not provide the loan documents to the Recreation and Park Department within 30 days of the Department's request.

- The Recreation and Park Department disagrees with Recommendation 9.1 to submit the $35 facility use fee to the Board of Supervisors for approval. The General Manager states in his written response that, "Rather than formalize this particular facility use fee, the Department will undertake a complete review and restructure of the entire event permit fee schedule to make all fees equitable, transparent, and enforceable for all users."

  Budget Analyst response: This fee should be formalized in the Park Code, and therefore the Recreation and Park Department General Manager should submit the $35 facility use fee, or an increase to the $35 facility use fee based the Department's fee schedule review, to the Board of Supervisors for approval.

- The Recreation and Park Department disagrees with Recommendation 12.5, (a) establishing two Classification 7262 Maintenance Planner positions by substituting them for vacant trade positions to perform planning for selected trades, (b) ensuring that the supervisors for the selected trades receive sufficient work to enable them to maximize scheduling of their journeymen on a weekly basis, (c) assigning the Maintenance Manager, when the position is filled, with overseeing maintenance planning as a primary responsibility, and (d) ensuring that the maintenance planners work primarily on planning duties.

According to the General Manager's written response, "There is no funding for two new planner positions and no justification for the elimination of existing trade positions. The Department is addressing the maintenance planning function through improved planning support of Structural Maintenance functions by the Capital Division, using existing Capital Division staff resources."

Budget Analyst response: As noted in Section 12, pages 175 and 176 of the management audit report, planning and scheduling work orders results in the proper amount of work to the crews and enables control for managing productivity. Currently, the Structural Maintenance Division plans Structural Maintenance Division work only for capital projects but not for routine maintenance projects. Adequate planning and scheduling increases productivity. For example, given the travel times to some of the facilities requiring maintenance, one-way travel times of up to thirty minutes are required to reach the work sites. Under such conditions, failure to bring a critical tool or replacement part can drastically affect a day's productivity. Maintenance planning and scheduling can greatly reduce such occurrences. The Budget Analyst's recommendation to establish two 7262 Maintenance Planner positions by substituting these two proposed new positions for two vacant trades positions, which have been vacant for over one year, would not result in increased salary costs and would increase the productivity and efficiency of the Department's maintenance projects.

We would like to thank the Recreation and Park Department General Manager, his staff, and various representatives from other City departments for their cooperation and assistance throughout this management audit.

Respectfully submitted,

Harvey M. Rose
Budget Analyst

cc: Supervisor Alioto-Pier
Supervisor Ammiano
Supervisor Daly
Supervisor Dufty
Supervisor Elsbernd
Supervisor Ma
Supervisor Maxwell
Supervisor McGoldrick
Supervisor Mirkarimi
Supervisor Sandoval
Mayor Newsom
Clerk of the Board
Edward Harrington, Controller
Noelle Simmons
Cheryl Adams
Yomi Agunbiade, General Manager, RPD

BOARD OF SUPERVISORS
BUDGET ANALYST

RECOMMENDATIONS OF THE BUDGET ANALYST

Section 1. Allocation of Recreation and Aquatic Staff Resources

The Director of Operations should:

1.1 Develop minimum productivity standards for recreation staff in conjunction with the Neighborhood and Citywide Services Managers.

1.2 Develop a method for accurately determining facility use statistics in conjunction with the Neighborhood and Citywide Services Managers.

1.3 Develop a recreation staff allocation plan based on productivity and facility use standards in conjunction with the Neighborhood and Citywide Services Managers.

1.4 Assess the need for part time and full time recreation staff and propose reductions in full-time staffing to part time as appropriate, resulting in salary savings equivalent to two full time recreation director positions.

1.5 Reallocate salary savings from the reduction in full time recreation staff to part time recreation staff to fund custodian staff evening shift and lead custodian positions, as discussed in Recommendation 2.1.

1.6 Implement a system to print scrip tickets online, in conjunction with the Director of Administration and Finance.

1.7 Implement the monthly passes, as approved by the Board of Supervisors in FY 2005-2006, including developing a system to purchase monthly passes online, in conjunction with the Director of Administration and Finance.

1.8 Assess opportunities to increase the locations where swimming pool patrons can purchase scrip booklets and monthly passes, including agreements with other City departments that routinely handle cash, such as the libraries, or vendors that sell MUNI fast passes, in conjunction with the Director of Administration and Finance.

1.9 Evaluate swimming pool staffing and planned closures throughout the year to ensure adequate staffing during the year and reduce the number of occasions that swimming pools are closed unexpectedly due to staffing shortages, including (a) revising the pool hours during the course of the year based on changes to maintenance and renovation schedules, pool use, and staff availability, and (b) posting the revised pool hours on the web site.

1.10 Evaluate swimming pool fees and attendance and identify opportunities for increased paid attendance, especially at pools with below capacity use and during the winter months.

1.11 Assess the potential of increased revenues through fee increases to fund additional custodian staffing.

1.12 Install vending machines to distribute swimming diapers.

1.13 Review the use, cost and funding sources for equipment purchases, such as pool vacuums and pool washers.

The Recreation and Park Department General Manager should:

1.14 Report to the Recreation and Park Commission during FY 2006-2007 on the status of implementing swimming pool payment systems, including (a) purchasing and printing scrip tickets online, (b) purchasing monthly passes, and (c) installing an electronic gated entry system at the swimming pools that would automatically admit patrons through an electronic gate.

1.15 Report on the revenue impact of potential fee increases, including fee increases associated with discounted scrip tickets and monthly passes, and include this evaluation in the General Manager's report to the Recreation and Park Commission during the FY 2006-2007 budget preparation and review.

Section 2. Allocation of Gardener and Custodian Staff Resources

The Director of Operations should:

2.1 Reallocate salary savings from the reduction in full time recreation staff to part time recreation staff to fund custodian staff evening shift and lead custodian positions, as discussed in Recommendations 1.4 and 1.5.

2.2 Direct the Neighborhood and Citywide Services Managers to develop a methodology to allocate gardener resources based on a more precise assessment of facility needs, park maintenance standards, and productivity targets.

2.3 Develop gardener facility maintenance and productivity targets for the golf courses, the San Francisco Botanical Gardens, and the Natural Areas.

2.4 Evaluate custodian assignments and supervision, including:

(a) Establishing an evening shift for custodians.

(b) Re-assigning Neighborhood and Citywide Services custodians from facilities to mobile crews.

(c) Establishing a single custodian crew in Golden Gate Park.

(d) Creating lead positions for mobile crews and the Golden Gate Park crew.

(e) Establishing reporting lines to the eight Neighborhood Services Directors and the Golden Gate Park supervisor.

(f) Reviewing and revising the custodian job description to include green areas as well as facilities.

2.5 Develop productivity and performance standards for custodians and a methodology for allocating custodian resources to facilities.

2.6 Develop training in custodial best practices for non-custodian supervisors and custodian staff.

2.7 Ensure that all supervisors have internet access at a convenient location and are trained in computer and internet use, in conjunction with the Neighborhood and Citywide Services Managers.

The Recreation and Park Department General Manager should:

2.8 Reassign responsibility for planning and complying with the Proposition C park maintenance standards to the Director of Operations.

2.9 Work with the Mayor's Office and the Department of Human Resources to meet and confer with Service Employees International Union (SEIU) Local 790 to (a) establish an evening shift for custodians, and (b) revise the custodian job description to include green areas as well as facilities.

2.10 Submit to the Board of Supervisors the Department's plan for extending computer, telephone, voice mail, and email access throughout the Department during the FY 2006-2007 budget review.

2.11 Work with the Mayor and with Homeless Connect to set up a Homeless Connect parks team to address the impact of homeless encampments in the parks and to coordinate City departments' resources and services.

Section 3. Management of Performance and Morale

The Recreation and Park Department General Manager should:

3.1 Complete an assessment of the performance evaluation process and approve a formal performance evaluation policy.

3.2 Direct the Director of Operations and the Director of Administration and Finance to submit joint quarterly reports to the General Manager that track in detail: (a) employees on Worker's Compensation or other extended leave, the type of leave, and the length of time on leave, or if the employee has combined several types of leave, the total length of time on leave, (b) employees able to return to work with medical restrictions, (c) employees on Worker's Compensation and other leaves who are eligible for, been notified of, and have accepted temporary transitional work assignments, and (d) employees on Worker's Compensation and other leaves who are eligible for, been notified of, and have requested Americans with Disabilities Act accommodations, and the status of those accommodations.

3.3 Assign the Director of Operations, the Director of Administration and Finance, the Director of the Capital Program, and the Director of Partnerships and Property with responsibility for monitoring and tracking employees' and supervisors' safety awareness meeting attendance, in coordination with the Human Resources Division Manager.

3.4 Consider further steps in setting safety awareness and injury and illness prevention as a priority, including (a) increasing the percent of safety awareness meeting attendance necessary to receive a “met objective” performance rating, and (b) include other safety prevention protocols in the annual performance evaluation goals and objectives, such as periodic safety inspections, on-time accident reporting, timely provision of medical slips, and days to complete corrective actions.

3.5 Establish policies governing staff meetings, which include (a) requirements for regular staff meetings between supervisors and line staff, staff meeting topics, including information on promotional opportunities, changes in Department policies and procedures, upcoming events and upcoming permits and reservations scheduled at the work locations, and (b) schedules for periodic division-wide and Department-wide staff meetings.

3.6 Establish opportunities for Department staff to meet with the General Manager and senior level managers, including setting up annual or semi-annual Department-wide staff meetings and attending smaller quadrant or section-level meetings on a rotating basis.

The Human Resources Division Manager should:

3.7 Evaluate supervisors’ management of time and ability to complete the performance evaluation for all employees for those supervisors who do not meet their performance goals and develop time management protocols for Department managers and supervisors as appropriate.

3.8 Assess weaknesses in setting and evaluating performance goals and establish guidelines for the types of goals to be included in the performance evaluations, to ensure that performance evaluations address consistent and effective standards.

3.9 Work in coordination with the Director of Operations and the Neighborhood and Citywide Services Managers to develop protocols and communication channels to increase recreation and gardener staff participation in training programs.

3.10 Work with the Department of Human Resources Worker’s Compensation Division Director to develop a regular reporting schedule, including (a) identifying the types of reports, and (b) the schedule for receiving the reports.

3.11 Develop protocols to identify and notify employees on extended leave who are eligible for temporary transitional work of available work.

3.12 Review and evaluate existing protocols to monitor employees who are absent from work on extended sick or other types of leave to identify improvements in procedures to return employees to work through temporary transitional work assignments or American with Disabilities Act accommodations.

3.13 Work with the Department's senior managers to evaluate extended leave requests and determine if the leave time can be shortened or if the individual employee will be able to return to work in full capacity.

3.14 Work with the City Attorney's Office in the instance that requested sick leave corresponds to disciplinary action to determine if the requested leave is legitimate sick leave under City policy, if discipline problems can be resolved in a timely manner and the individual should return to work, or if more progressive discipline should follow, including termination.

The Director of Operations should:

3.15 Direct the Neighborhood and Citywide Services Managers to establish training and skills development as a priority.

3.16 Direct the Neighborhood and Citywide Services Managers to develop a formal training plan for recreation, gardener, and custodial staff, which includes a mentoring system to allow more experienced staff to assist the training of newly-hired or less skilled staff.

3.17 Direct the Neighborhood and Citywide Services Managers to work with the Human Resources Division Manager to establish formal channels for employees to attend classes through the San Francisco Community College system, including horticulture and recreation classes, and to develop protocols for receiving tuition reimbursement for attending classes.

3.18 Direct the Neighborhood and Citywide Services Managers to develop custodial service protocols based on best practices.

3.19 Direct the Neighborhood and Citywide Services Managers to develop best practice and management training for the Neighborhood Services Directors and the assistant custodian supervisors, and job specific training programs for custodians.

3.20 Direct the Neighborhood and Citywide Services Managers to implement task groups, which include front line staff, to work on specific problems, such as radio and phone availability in the field or cash and revenue handling at recreation facilities, and which develop recommendations, implementation plans, and a reporting mechanism.

3.21 Develop protocols to ensure supervisors are including employees in work planning and problem solving processes.

Section 4. Community Participation in Resource Planning

The Recreation and Park Department General Manager should:

4.1 Direct the Director of Operations to work with Neighborhood and Citywide Services Managers to research, develop, and implement protocols based on best practices for outreach and the solicitation and inclusion of community input. Appropriate protocols may include the use of a standard recreation program evaluation, regular focus groups and district-level community meetings, and suggestion boxes at recreation facilities. These protocols should include reporting mechanisms, so that the Director of Operations and Neighborhood and Citywide Services Managers can accurately quantify the community outreach and input taking place.

4.2 Direct Neighborhood Services Managers to be responsible for ensuring compliance with community input and outreach protocols, for example by including community outreach and input goals in employee performance plans and evaluations.

4.3 Direct the Department's planning staff to analyze the recreation programs offered in relation to external factors such as neighborhood and citywide demographics, what programs and services are being offered by other providers in the area, and historical recreation trends.

4.4 Direct the Director of Operations to develop a plan to address recreation trends, a plan that should specifically include the provision of more fitness and adventure sport opportunities.

4.5 Direct the Director of Operations to create stronger incentives for staff to submit attendance data, supplemented by disciplinary actions, if necessary, and make a strong case for the collection of this data to staff, by creating a clear plan for how it will be used to make programming decisions in the future.

4.6 Direct the Director of Operations to create a more efficient method to collect attendance data, such as asking recreation staff to take "snapshots" of attendance activity at different points throughout the week, rather than tracking every user.

4.7 Direct the Director of Operations to develop protocols for checking the integrity of attendance data, such as using anonymous "shoppers" who visit recreation centers to observe actual community use of facilities and programs.

4.8 Direct the Director of Operations to require regular meetings with staff at a district or quadrant level to facilitate the transmittal of attendance data, among other goals discussed in Section 2.

4.9 Direct the Director of Operations to ensure that the criteria being used to define core services do not include the length of time the service has been offered by the Department or the amount of budgetary resources the service currently requires. Rather, the criteria for defining core services should elucidate the service's role in the fulfillment of the Department's mission as a provider of recreation opportunities and parks. Once the development of the list of core services is completed, the Operations Division should design methods to ensure quality in the provision of these core services, including standardized performance measures, program goals, and evaluation procedures.

4.10 Direct the Director of Operations to develop policies and procedures for the establishment of program goals for core programs and the measurement of performance measures associated with these goals.

4.11 Direct the Director of Operations to develop a generic program evaluation form. At minimum, the use of program evaluations should be required for citywide and core recreation programs. The Director of Operations should ensure the central collection of program outcome and quality data.

4.12 Delegate the responsibility of implementing the recommendations of the 2004 *Recreation Assessment* to the Director of Operations and require the development of a clear implementation timeline and strategy and the establishment of a formal reporting procedure, including reporting to the Recreation and Park Commission, for tracking implementation progress.

4.13 Consult with the Chair of the Parks, Recreation, and Open Space Advisory Committee (PROSAC) to determine a clear plan for the execution of the committee's district and citywide liaison activities, including how the Department will provide appropriate support for the committee's efforts and what the performance expectations should be for committee members.

4.14 Develop policies and procedures related to community partnerships. The policies should clearly define the types of partnerships that require memoranda of understanding and partnership agreements.

4.15 Designate a person in the General Manager's Office to compile information related to the community groups and partners with which the Department works.

4.16 Direct the Director of Operations to use the list of core services, once developed, to prioritize resource allocation decisions in recreation centers and investigate partnership opportunities for the provision of non-core services at recreation center facilities.

4.17 Direct the Director of Operations to evaluate the pilot program with the Department of Children, Youth, and Families in which community based organizations will provide children's and families' programs in Recreation and Park Department facilities as a model for providing additional programs and services.

4.18 Monitor the progress of discussions being led by the Office of the Mayor to address development of a formal volunteer policy. The General Manager should provide negotiators with the productivity standards for gardeners that are currently under development by Planning Staff. This effort may assist the Department and the union by clarifying which gardening tasks do not require specific horticultural knowledge and training, and which should only be reserved for gardening staff.

4.19 Work with the Director of Human Resources to modify the job descriptions of gardening and recreation staff, so that they include the supervision of volunteers.

4.20 Investigate the possibility of providing incentives for staff to work with volunteers.

The Recreation and Park Commission should:

4.21 Review and approve the protocols, plans, policies and procedures, and list of core services contained in Recommendations 4.1, 4.9, 4.10, and 4.14.

Section 5. The Open Space Fund

The Recreation and Park Department General Manager should:

5.1 Ensure that the Department complies with the Proposition C requirement for a 3 percent undesignated contingency reserve.

5.2 Ensure that the property acquisitions policy is formally adopted by the Recreation and Park Commission in 2006.

Section 6. The Golf Fund

The Recreation and Park Department General Manager should:

6.1 Ensure, in relation to the borrowed State Proposition 12 funds for the Harding and Fleming Golf Courses' renovation projects, that the full FY 2005-2006 repayment of $935,420 is made to the Open Space Fund.

6.2 Review available strategies to speed up repayment of the borrowed State Proposition 12 funds plus interest so that repayment will not take the full 25 years currently scheduled. The strategies reviewed should include modification of Harding and Fleming Golf Courses' fee structure and percentage of rounds reserved for residents' use.

6.3 Renegotiate the Master Tournament Agreement with PGA Tour, Inc. to either (a) negotiate more advantageous terms for the City, so that it fully recovers the Department's direct costs and makes a profit, or (b) terminate the agreement.

6.4 Develop overall plans for Lincoln and Sharp Golf Courses in relation to the best use of those properties, required capital improvement program costs and schedules, and possible funding sources.

Section 7. Revenue Generating Programs, Capital Costs, and Cost Allocation

The Recreation and Park Department General Manager should:

7.1 Report to the Board of Supervisors prior to December 31, 2006, on the options for repair or replacement of Monster Park Stadium, the planning process, and the timelines.

7.2 Assess the Camp Mather facilities to identify the need for capital repairs or replacement, estimate costs, and set priorities and schedules for repair and replacement.

7.3 Report to the Board of Supervisors during FY 2006-2007 on Camp Mather's operating and capital costs, the impact on fees, and the options for maintaining Camp Mather.

7.4 Evaluate the West Harbor's fiscal feasibility, in the absence of renovating the East Harbor, by (a) defining the Marina Yacht Harbor's fixed costs and identifying the impact of allocating 100 percent of fixed costs to the West Harbor, and (b) projecting revenues based on alternative berthing rate scenarios.

7.5 Provide a status report to the Board of Supervisors on (a) the status of the California Department of Boating and Waterways loan for the East Harbor renovation, (b) the status of the City's legal dispute with the Pacific Gas and Electric Company regarding responsibility and costs for the contaminated East Harbor soil, and (c) alternative revenue and cost scenarios for the Marina Yacht Harbor's West and East Harbors during the FY 2006-2007 budget review.

7.6 Direct the Director of Administration and Finance and the Director of the Capital Program to evaluate the Department's methodology for determining indirect and direct costs when setting overhead rates and identify all costs that should be charged directly.

7.7 Direct the Director of Administration and Finance to review the Department's methodology for calculating and applying the annual carry forward adjustments when calculating the overhead allocation in the annual budget, to ensure that the special revenue funds and Department programs are charged overhead costs correctly and comply with Federal, State, and local regulations where applicable.

Section 8. Recreation and Park Department Property Use and Lease Management

The Board of Supervisors should:

8.1 Adopt an ordinance, amending the Administrative Code, that requires Board of Supervisors approval for all leases and management agreements entered into by any City department, which makes the City responsible for any debt incurred under the lease or management agreement.

The Recreation and Park Department General Manager should:

8.2 Expedite hiring of the new Director of Partnerships and Property position.

8.3 Direct the Director of Administration and Finance and the Director of Partnerships and Property to (a) assess the Department's current system capability and needs, including tie-in of the lease management system with the new revenue tracking system, and (b) present estimates of costs and timelines for the lease management system upgrades and revenue tracking system tie-in to be presented to the Recreation and Park Commission during the FY 2006-2007 budget review.

8.4 Direct the Director of Administration and Finance and the Director of Partnerships and Property to (a) review and revise existing revenue monitoring protocols to ensure that property managers and Revenue Unit staff share lease revenue collection data on a monthly basis, and (b) develop a schedule to review coordination of lease revenue information and data.

8.5 Direct the Director of Partnerships and Property to review and revise existing protocols and develop rigorous standards to enforce lease provisions, including (a) routinely monitoring lease payments, (b) assessing penalties for all late payments, (c) routinely reviewing and reconciling percentage and other rent payments, (d) adjusting the minimum annual guarantee rents under the terms of the lease agreement, and (e) requiring timely submission of certified financial statements or audit reports.

8.6 Recommend financial terms in the prospective Japanese Tea Garden lease to the Recreation and Park Commission that maximize lease revenues based on expected increases in Japanese Tea Garden attendance, including achieving revenues of at least $280,000 annually based on attendance of 425,000.

8.7 Immediately request loan documents from Kemper Sports Management.

8.8 Request the Controller to audit the management agreement between the Department and Kemper Sports Management if Kemper Sports Management does not provide the loan documents.

8.9 Terminate the management agreement with Kemper Sports Management if Kemper Sports Management refuses to both (a) provide the loan documents to the City within 30 days of the Department's request, and (b) cooperate with a subsequent audit by the Controller.

8.10 Present regular reports to the Recreation and Park Commission on the status of discussions with the Public Utilities Commission for the best use of the Lake Merced property currently occupied by the Rod and Gun Club.

8.11 Determine the best uses for the Lake Merced Boathouse prior to submitting the draft Request for Proposals to the Recreation and Park Commission.

8.12 Present an analysis of the best uses of the Lake Merced Boathouse, including commercial development along the lines of the Beach Chalet, or mixed-use or recreational development, and whether these uses would generate sufficient funds to pay the costs of renovation, when submitting the draft Request for Proposals to the Recreation and Park Commission.

Section 9. Management of Permits, Fees, and Other Revenues

The Recreation and Park Department General Manager should:

9.1 Submit the $35 facility use fee to the Board of Supervisors for approval.

9.2 Develop a written policy, defining the type, purpose, and amount of each additional charge to an event sponsor, to ensure that such charges are consistent with Park Code Sections 12.22, 12.24, and 12.25.

9.3 Establish formal criteria for waiving fees for events conducted by Federal, State, or City agencies, including establishing fees for non-profit or commercial events sponsored by Federal, State, or City agencies and present the criteria to the Recreation and Park Commission for approval.

9.4 Submit all fee waivers not authorized by the Park Code to the Board of Supervisors for approval.

9.5 Assign responsibility and oversight of temporary permits for pushcart vendors and license agreements to the Director of Partnerships and Property.

9.6 Identify and implement license agreements for all revenue-generating classes conducted by outside individuals and organizations, and implement a procedure to receive and record receipts from the license agreements.

9.7 Direct the Director of Administration and Finance and the Director of Partnerships and Property to jointly develop formal procedures for (a) maintaining temporary permit files, (b) recording and reporting temporary permit fee receipts, (c) reconciling temporary permit fee deposits for each vendor with actual receipts, and (d) maintaining deposit records that cross reference reservation and permit files.

9.8 Direct the Director of Administration and Finance and the Director of Partnerships and Property to jointly establish procedures for (a) maintaining reservation and permit files, (b) reconciling reservations and permits with daily deposits, (c) recording deposits, and (d) maintaining deposit records that cross reference reservation and permit files.

9.9 Submit an ordinance to amend the Park Code to the Recreation and Park Commission and the Board of Supervisors to prohibit permit issuance when the permit applicant owes the Department for prior events.

9.10 Not issue any future permits to Events West until all past due amounts payable to the City are paid in full by Events West.

9.11 Direct the Director of Administration and Finance and the Director of Partnerships and Property to jointly develop procedures to record, report, and collect unpaid and past due accounts, including developing reports that identify accounts that are 30 or more days past due and procedures to transfer delinquent accounts to the Office of the Treasurer and Tax Collector for collection.

9.12 Review and simplify the Recreation and Park Department's fee structure, consolidating fees and reducing from the approximately 442 different fees now in use.

9.13 Assess the Recreation and Park Department's fees for private use of facilities, such as weddings and private parties, to price them competitively and increase revenues.

9.14 Evaluate the Recreation and Park Department's fee structure for film and photography permits, including simplifying the fee structure in a manner similar to the Golden Gate National Recreation Area's fee structure and increasing fees to the level charged by the Golden Gate National Recreation Area.

9.15 Direct the Director of Partnerships and Property to assess the marketing potential and status of Recreation and Park Department properties and develop a marketing plan, including developing a cost analysis and business plan for marketing Recreation and Park Department property to support any budget requests for marketing.

9.16 Direct the Director of Partnerships and Property to evaluate the priority scheduling or free use provided to the San Francisco Unified School District, the San Francisco Botanical Garden Society, and other organizations for various Recreation and Park Department properties, including identifying more efficient scheduling practices, cancellation policies and other procedures that impact the availability of Recreation and Park Department properties, and recommend policies for more efficient property use.

9.17 Direct the Director of Partnerships and Property to evaluate informal arrangements, such as arrangements with San Francisco City College, to identify opportunities for more formal agreements, efficient scheduling practices, and sharing of resources.

9.18 Direct the Director of Operations and the Director of Partnerships and Property to work jointly to identify all fee-generating classes, implement license agreements which include a charge for offering the classes at Recreation and Park Department facilities, and implement a procedure to receive and record receipts from the license agreements.

Section 10. Cash Handling Practices

The Recreation and Park Department General Manager should:

10.1 Direct the Director of Operations and the Director of Administration and Finance to revise the cash-handling policies and procedures to (a) identify all staff who are responsible for handling cash, (b) procedures for receiving, recording, keeping, transporting, and depositing cash and other revenues, and (c) training for all staff required to handle cash or revenues.

10.2 Direct the Director of Operations and the Director of Administration and Finance to identify and end all cash handling practices outside of the formal policies and procedures, including informal petty cash funds and payments to individuals to provide services.

10.3 Develop a formal policy, defining and reconciling policies and procedures for cash donations to the Department's gift fund and the San Francisco Parks Trust accounts.

10.4 Direct the Director of Administration and Finance to develop formal protocols requiring (a) at least two employees present at all cash counts, and (b) routine reconciling of cash counts with attendance records and other use tallies as appropriate.

10.5 Direct the Director of Operations and the Director of Administration and Finance to implement the May of 2004 Controller's Office aquatic program report findings and recommendations to develop (a) policies and procedures to record cash sales accurately by pool, and (b) procedures for Revenue Unit staff to reconcile weekly cash receipts from the pools against attendance.

Section 11. Park Patrol

The Recreation and Park General Manager should:

11.1 Evaluate the service level provided by the current Park Patrol staffing level and make adjustments if deemed suitable and practicable, in the light of the Recreation and Park Department's overall mission, and within existing funding appropriations.

11.2 Provide the Park Patrol with the assistance that it needs to develop acceptable administrative practices, including developing a Policies and Procedures Manual and data collection and reporting methods.

11.3 Direct staff to update the performance measures, supporting strategies, and action steps contained in the Operational Planning document concerning the Park Patrol and ensure that the action steps are accomplished.

11.4 Direct staff to locate an appropriate "command headquarters" for the Park Patrol.

11.5 Direct staff to develop a recommendation on whether to obtain a digital recording system for Monster Park, preferably with grant funding.

11.6 Meet with the Metropolitan Transportation Agency's Department of Parking and Traffic to discuss the transfer of all parking citation functions on Recreation and Park Department property from the Recreation and Park Department to the Metropolitan Transportation Agency's Department of Parking and Traffic.

11.7 Develop an overall security plan that identifies the roles of the Department's respective staff members, including recreation directors, custodians, gardeners, and Park Patrol officers, in locking facilities, and reporting and following up on security incidents.

Section 12. Maintenance Management

The Structural Maintenance Division Manager should:

12.1 Revise the existing Structural Maintenance Division mission statement to reflect clearly the contribution that the Division can make to the Recreation and Park Department mission.

12.2 Develop performance measures, standards, and objectives that will serve to provide direction, accountability, and control for the Structural Maintenance Division's operations.

12.3 Develop a set of work rules, including rules for allocating overtime, that specify behavioral expectations concerning the performance of maintenance work and expectations concerning behavior between employees and between employees and the public.

12.4 Establish a timeline for the development of a Maintenance Management Policies and Procedures Manual and report on the status of the manual's development to the Director of Operations prior to May 31, 2006.

12.5 Establish two Classification 7262 Maintenance Planner positions by substituting them for vacant trade positions to perform planning for selected trades. Ensure that the supervisors for the selected trades receive sufficient work to enable them to schedule fully their journeymen on a weekly schedule. Assign the Maintenance Manager, when the position is filled, with overseeing maintenance planning as a primary responsibility. Ensure that the maintenance planners work primarily on planning duties.

12.6 Implement an effective preventive maintenance program.

12.7 Ensure that the Structural Maintenance Division initiates maintenance reporting on a continuing, periodic basis. The *Management by Objectives Report* produced by the Public Utilities Commission's Water Pollution Control Division is a useful model.

12.8 Conduct an inventory of tools and equipment and update the inventory annually.

12.9 Use Total Managed Assets System reports when requesting maintenance resources.

12.10 Fill the vacant Classification 7263 Maintenance Manager position as soon as possible.

12.11 Implement a program to eliminate unsafe sidewalks on Recreation and Park Department property.

The Director of Operations should:

12.12 Assist the Structural Maintenance Division in obtaining the personnel resources cited in the Structural Maintenance Division Staffing part of this report section.

12.13 Ensure that the Maintenance Superintendent obtains the assistance needed to accomplish the recommendations cited above and ensure that the recommendations are accomplished.

Section 13. Materials Management

The Structural Maintenance Division Manager should:

13.1 Establish a storeroom and otherwise develop and maintain an inventory of all high-dollar value material items and items that tend to experience losses.

13.2 Establish stock level and reorder points for high use items, to avoid stockouts of needed material and to avoid use of departmental work orders for single or few items.

13.3 Ensure that the material in the Structural Maintenance Division's yard is brought into inventory or reported for disposal.

13.4 Ensure that the material in the Bone Yard is brought into inventory or reported for disposal.

The Purchasing and Contract Administration Manager should:

13.5 Assist the Structural Maintenance Division in developing adequate controls for materials, supplies, tools, and equipment.

13.6 Assist the Structural Maintenance Division in establishing a storeroom or otherwise providing adequate safeguarding of materials and supplies.

13.7 Assist the Structural Maintenance Division in disposing of Bone Yard material not required.

13.8 Work with the Structural Maintenance Division to establish procurement procedures that are economical and efficient.

13.9 Develop a Materials Management Policies and Procedures Manual for the Recreation and Park Department.

13.10 Perform a physical inventory of the Recreation and Park Department storeroom as soon as practicable and at least annually thereafter.

Section 14. Health, Safety, and Environmental Issues in the Structural Maintenance Division

The Structural Maintenance Division Manager should:

14.1 Take necessary action to improve the physical condition of the Structural Maintenance Division's yard, including continuing the cleanup effort of the individual shops and the common areas.

14.2 In conjunction with the Environment, Health and Safety Manager, develop and implement a plan to reduce significantly the incidence of injuries in the Structural Maintenance Division.

14.3 Obtain the resources required to provide the Structural Maintenance Division with a wash rack that is environmentally responsive and accommodates the vehicle washing requirements of the Structural Maintenance Division.

Section 15. Automotive and Mobile Equipment Management

The Recreation and Park Department General Manager should:

15.1 Emphasize the importance of complying with preventive maintenance inspection schedules.

15.2 Ensure that proper disposition is made of the 1999 Ford Ranger that was involved in an accident on March 9, 2005, including pursuing monetary settlement for the vehicle damage and for the lost work time of the City worker. Further, emphasize the importance of taking timely action on incidents, such as vehicle accidents.

The Manager, Central Shops, should:

15.3 Transfer the five general-purpose Recreation and Park Department vehicles that are currently not a part of the Fleet Management Program into the Program.

Section 16. Managing the Capital Program

The Recreation and Park Commission and the Recreation and Park Department General Manager should:

16.1 Ensure timely project close-out so that surplus funding can be reallocated as quickly as possible to under-funded capital improvement projects.

16.2 Formalize the Department's capital improvement project evaluation and selection criteria to best determine, as funding becomes available, which capital improvement projects should move forward.

16.3 Develop a comprehensive plan for citywide renovation projects.

16.4 Incorporate the Urban Forestry and Natural Areas Programs into the Department's Capital Plan.

16.5 Address the seismic issues at Kezar Pavilion, McLaren Lodge and Annex, the Park Aid Station, and the Urban Forest Center.

16.6 Evaluate the seismic condition of Camp Mather, Candlestick Park, the Park Patrol Office, the Pioneer Log Cabin, the Randall Museum, the Structural Maintenance Division's yard, and the Nursery.

Section 17. The Capital Program's Funding Sources

The Recreation and Park Commission and the Recreation and Park Department General Manager should:

17.1 Consider the full range of funding options for the Department's Capital Program, including: (a) new general obligation and/or lease revenue bonds, (b) increasing the Department's revenues from competitive grants and philanthropic gifts, (c) public/private partnerships, (d) public sector partnerships with agencies which have overlapping needs and facilities, (e) small business and corporate sponsorship, (f) special voter-approved tax assessments and expansion of downtown park funds, and (g) increased revenue generation from renovated, rebuilt, and new facilities.

17.2 Develop an overarching plan to increase Capital Program funding from grant and philanthropic gift sources.

17.3 Focus on submitting well-supported grant applications to all possible grant funding agencies and canvassing as wide a pool of donors as possible, particularly for those projects where Department facilities will also be venues for social services delivered by other agencies with different mandates and, therefore, different potential donor pools.

17.4 Develop the Department's capacity to work with the donor community, to develop mechanisms which assure donors that their investments will be well maintained, to develop ways of ensuring equitable distribution of capital improvement projects so that donations do not skew the Department's prioritization process, and to develop innovative ways for communities to more easily make in-kind donations of professional services, "sweat equity," materials and supplies, and land.

17.5 Develop ongoing funding mechanisms to support of (a) the Department's own ongoing capital asset maintenance obligations, (b) the Department's ongoing capital asset maintenance obligations related to other organizations' capital programs, and (c) the Department's future facility replacement program.

Section 18. Monitoring Capital Project Budgets

The Recreation and Park Department General Manager should:

18.1 Provide a detailed report to the Board of Supervisors, no later than March 31, 2006, showing (a) all completed capital projects, (b) the date of substantial completion, (c) the date that the project was closed out, (d) the reasons for not closing out the project, if applicable, and (e) the amount of unexpended balances.

18.2 Identify available unexpended balances and present these funds to the Board of Supervisors for reappropriation to unfunded capital projects.

The Director of the Capital Division should:

18.3 Set up standard protocols for all project directors that (a) clearly define the responsibilities of Recreation and Park Department project directors in managing capital project budgets, including construction budgets under the management of the Department of Public Works project managers, and (b) set standards for tracking and documenting actual project costs against project budgets.

18.4 Establish clear guidelines for closing out the construction phase of capital projects and closing out capital projects in the City's general ledger system, FAMIS.

18.5 Routinely review the status of project close out and ensure that the Recreation and Park Department project directors are working with the Department of Public Works project managers to close out completed capital projects.

18.6 Establish procedures to reconcile the monthly financial reports with the City's general ledger system, FAMIS, to ensure that reported project balances are accurate.

Table of Contents

Section **Page**

Introduction i

1. Allocation of Recreation and Aquatic Staff Resources 1
2. Allocation of Gardener and Custodian Staff Resources 15
3. Managing Productivity, Performance, and Morale 26
4. Community Participation and Resource Planning 44
5. The Open Space Fund 65
6. The Golf Fund 85
7. Revenue Generating Programs, Capital Costs, and Cost Allocation 114
8. Recreation and Park Department Property Use and Lease Management 127
9. Management of Permits, Fees, and Other Revenues 140
10. Cash Handling Practices 154
11. Park Patrol 160
12. Maintenance Management 169
13. Materials Management 183
14. Health, Safety, and Environmental Issues in the Structural Maintenance Division 190
15. Automotive and Mobile Equipment Management 196
16. Managing the Capital Program 203
17. The Capital Program's Funding Sources 226
18. Monitoring Capital Project Budgets 244

Appendix: Chronology of Recreation and Park Capital Improvements Since 1990 249

Recreation and Park Department Response 259

Introduction

On May 3, 2005, the Board of Supervisors adopted a motion directing the Budget Analyst to perform a management audit of the Recreation and Park Department (Motion No. M05-67).

Purpose and Scope

The purpose of this management audit is to (i) evaluate the economy, efficiency and effectiveness of the Recreation and Park Department's programs, activities, and functions and the Recreation and Park Department's compliance with applicable State and Federal laws, local ordinances, and City policies and procedures; and (ii) assess the appropriateness of established goals and objectives, strategies, and plans to accomplish such goals and objectives, the degree to which such goals and objectives are being accomplished, and the appropriateness of controls established to provide reasonable assurance that such goals and objectives will be accomplished.

Audit Methodology

The management audit was conducted in accordance with *Governmental Auditing Standards, 2003 Revision*, issued by the Comptroller General of the United States, U.S. General Accountability Office. The management audit staff presented a draft report to the Recreation and Park Department General Manager on December 7, 2005, and held an exit conference with the General Manager and key members of the Recreation and Park Department's management staff on December 16, 2005, to discuss the draft report. After careful consideration of the additional information provided after submission of the draft report and at the exit conference, the management audit staff prepared a final report. The Recreation and Park Department has provided a written response to the Budget Analyst's management audit report, which is appended to this report.

Overview of the Recreation and Park Department

Land Holdings and Physical Facilities

The Recreation and Park Department is responsible for recreational and park facilities covering approximately 5,400 acres of land spread over 230 sites including the 1,017 acre Golden Gate Park, over 80 neighborhood parks, Camp Mather in the High Sierras, Sharp Park in Pacifica, and the Furhman Bequest Property in Kern County.[1] The Recreation and Park Department is responsible for physical facilities comprising 150 tennis courts, 145 children's play areas, 118 sports fields, 75 basketball courts, 50 neighborhood club houses, 45 bathroom facilities, 42 maintenance facilities, 27 recreation centers, ten field houses, nine swimming pools, six golf courses with five clubhouses, four stadiums, two carrousels, two windmills, two marinas, an arts and crafts studio, a children's museum, a zoo, and a summer camp compound. The Recreation and Park Department also manages 40 community gardens on City-owned property, and is responsible for a number of undeveloped land parcels.

---

[1] The Furhman Bequest Property is ranch land bequested to the Recreation and Park Department and the Library for recreational purposes. It is currently leased for paintball games and ranching.

The Recreation and Park Department operates a myriad of programs including: sport, education, and recreation activities; childcare; after school programs; holiday camps; youth employment initiatives; and volunteer programs. Some programs housed at Recreation and Park Department facilities are operated by other agencies.

Organizational Structure

The Recreation and Park Department is currently being reorganized into the following functional divisions, as shown in Exhibit 1 below:

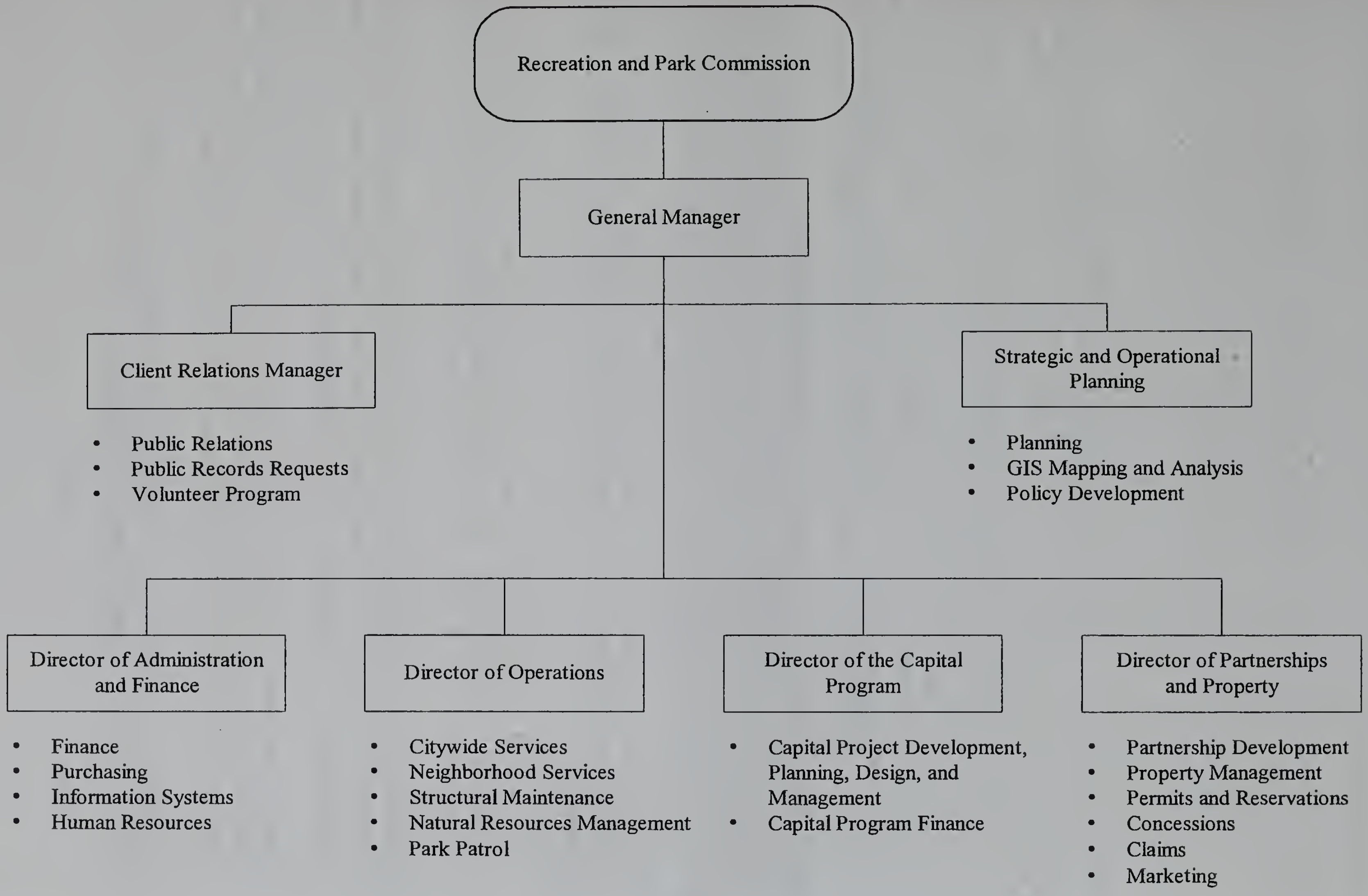
- Administration and Finance. This encompasses the Recreation and Park Department's finance, purchasing, information systems, and human resources functions.

- Operations. This encompasses the Recreation and Park Department's citywide and neighborhood services, as well as the Recreation and Park Department's structural maintenance, natural resources management, and park patrol functions. Under the new organizational structure, the current four Neighborhood Services quadrants will be divided into eight districts, each one under a Neighborhood Services Director to spread the managerial workload.

- Capital Program. This encompasses the Recreation and Park Department's capital project development, planning, design, and management functions, and the Recreation and Park Department's Capital Program finance function.

- Partnerships and Property. This encompasses the Recreation and Park Department's partnership development, permits and reservations, concessions, claims, and marketing functions. An appointment into the new Director of Partnerships and Property position is expected in the Spring of 2006.

Exhibit I
Recreation and Park Department Organization Chart



Recreation and Park Commission

General Manager

Client Relations Manager

- Public Relations
- Public Records Requests
- Volunteer Program

Strategic and Operational Planning

- Planning
- GIS Mapping and Analysis
- Policy Development

Director of Administration and Finance

- Finance
- Purchasing
- Information Systems
- Human Resources

Director of Operations

- Citywide Services
- Neighborhood Services
- Structural Maintenance
- Natural Resources Management
- Park Patrol

Director of the Capital Program

- Capital Project Development, Planning, Design, and Management
- Capital Program Finance

Director of Partnerships and Property

- Partnership Development
- Property Management
- Permits and Reservations
- Concessions
- Claims
- Marketing

Key Legislation

The Open Space Fund

San Francisco voters approved Proposition C on March 7, 2000 which:

- Extends the Open Space Program's property tax funding sources through FY 2030-2031 thereby ensuring a dedicated revenue stream from property tax in the amount of $0.025 for each $100 in assessed valuation to help pay for park acquisition, renovation, and maintenance, and recreation and park programs. Charter Section 16.107 specifically states that "Revenues obtained thereby shall be in addition to, and not in place of, any sums normally budgeted for the Department and, together with interest, shall be deposited into the Park, Recreation and Open Space Fund."

- Requires that (a) net increases in Department-generated revenues be dedicated to capital and/or facility maintenance improvements to park and recreational facilities, and (b) new revenues from outside sources be used only for enhancement of park and recreation programs including capital and/or facility maintenance improvements. Departmental savings are to be retained by the Recreation and Park Department for one-time expenditures. Therefore, funds which might otherwise be subsumed by the General Fund must stay in the recreation and park system.

- Requires the Recreation and Park Department to produce annually updated five-year strategic, capital, and operational plans. The Open Space Fund budget must include a minimum 5 percent allocation for property acquisitions, a 3 percent allocation for a reserve, and continuation of the allocations for after-school recreation programs, urban forestry, community gardens, volunteer programs, and the natural areas management program at FY 1999-2000 levels, unless such programs are funded elsewhere.

- Requires that capital projects must be completed within three years of the budget allocation for design and construction, except when the Recreation and Park Commission waives the three year requirement by a two-thirds vote.

- Establishes the Park, Recreation and Open Space Advisory Committee (PROSAC) to review and comment on the development and implementation of the capital, operations, and strategic plans, and the Recreation and Park Department's budget.

- Permits the Board of Supervisors to authorize the issuance of revenue bonds for capital improvements, secured by the Open Space Fund, and allowed the Recreation and Park Commission to manage all aspects of those improvements.

- Authorizes the Recreation and Park Department to manage its own capital projects, rather than relying exclusively on the Department of Public Works.

Park Maintenance Standards

San Francisco voters approved Proposition C in November 2003, which established the Controller as the City Services Auditor and mandated the City Services Auditor to review standards for park maintenance in consultation with the Recreation and Park Department and perform an annual Clean Parks audit to track whether these standards are met.

Funding

Table 1 below provides summary financial information from the FY 2005-2006 *Consolidated Budget and Annual Appropriation Ordinance.* Table 1 shows that approximately 62.7 percent of the Recreation and Park Department's FY 2005-2006 budget will come from the General Fund, with a further approximately 23.8 percent from the Open Space Fund, and approximately 13.5 percent from various other funds.

Table 1

Summary Financial Information, FY 2005-2006

Recreation and Park Department Annual Appropriation, FY 2005-2006	
Total Sources:	
General Fund	$73,091,051
Open Space Fund	27,746,427
Various Funds	15,792,542
Total Sources:	**$116,630,020**
Total Expenditures:	
Administration	$17,977,915
Capital Projects	22,536,605
Children's Baseline	13,771,784
Children's Services - Non-Children's Fund	343,000
Citywide Facilities	21,285,600
Citywide Services	13,519,503
Development and Planning	11,000
Golden Gate Park	12,323,834
Neighborhood Services	23,720,349
Structural Maintenance	11,985,171
Zoo Operations	389,198
Departmental Transfer Adjustment	(21,233,939)
Total Expenditures:	**$116,630,020**

Source: City and County of San Francisco, *Consolidated Budget and Annual Appropriation Ordinance, Fiscal Year Ending June 30, 2006.*

Key Issues Facing the Recreation and Park Department

As a result of conducting this management audit, the Budget Analyst has identified four key issues facing the Recreation and Park Department:

1. **The Recreation and Park Department needs to plan for and respond in a timely manner to the City's and the Recreation and Park Department's changing operating and capital needs.**

The Recreation and Park Department needs to plan recreation and park programs that meet the needs of the City's population as the City's neighborhoods, demographics and leisure time preferences change. For example, the Recreation and Park Department has not kept pace with the increased demand for fitness facilities and for adventure sports, such as rock climbing, skateboarding, cycling, hiking, and kayaking, as discussed in Section 4 of this report.

The Recreation and Park Department needs to plan comprehensively for the Recreation and Park Department's capital and land acquisition requirements, including (a) addressing seismic deficiencies in buildings housing the Recreation and Park Department's administrative staff, (b) developing formal criteria for property acquisitions and capital improvement project evaluation and selection, and (c) determining the best and highest uses of the Recreation and Park Department's land holdings.

The Recreation and Park Department established a Planning Division in the Fall of 2004, which was a key step in increasing the Recreation and Park Department's planning capacity.

2. **The Recreation and Park Department needs to focus on its core functions.**

Over time, the Recreation and Park Department has been given responsibility for non-core functions which are not specifically recreation or park functions, such as youth employment and after school programs. The Recreation and Park Department has provided such non-core services out of an informal assumption that managing a facility includes direct provision of the services provided within that facility. Consequently, the Recreation and Park Department staffs most recreation center programs, even if other organizations can provide such programs more effectively and economically. The Recreation and Park Department has entered into a pilot program with the Department of Children, Youth, and Families in which community based organizations will provide children's and families' programs in Recreation and Park Department facilities. The Recreation and Park Department should evaluate this pilot as a model for providing programs and services.

3. **The Recreation and Park Department needs to ensure sufficient management oversight and management systems.**

The Budget Analyst found inadequate management oversight in many of the Recreation and Park Department's key functions, including employee performance and productivity, property and lease management, monitoring of permits and reservations, cash handling, and closing out of capital projects. The Recreation and Park Department has implemented a new management structure in FY 2005-2006, and funded new management positions, including a Director of Operations, a Director of Partnerships and Property Management, and Neighborhood and Citywide Services Managers.

The Recreation and Park Department's Strategic Plan has called for a management audit since 2002. According to the Recreation and Park Department's FY 2005-2006 Efficiency Plan, the Budget Analyst's management audit will "provide critical feedback on [the Recreation and Park Department's] actions in the years to come," and the Budget Analyst's "recommendations from this audit are anticipated to provide significant guidance in forming the priorities for 2006 and the next Efficiency Plan."

4. The Recreation and Park Department needs to increase and diversify its revenue base.

The Recreation and Park Department struggles to live within its current budget, as evidenced by its reliance on high rates of employee attrition, and faces a Capital Program funding shortfall of $589,125,057. While the Recreation and Park Department is primarily responsible for the provision of affordable recreation and subsidized public access to parks, it does not maximize its current permit, fee, and property revenues. Nor does the Recreation and Park Department maximize its revenues from commercial opportunities such as the tournaments operated by PGA Tour, Inc. at Harding and Fleming Golf Courses. In order to fund the Capital Program Phases I - III fully, the Recreation and Park Department will need to consider the full range of available funding options, including working more closely with grant agencies, philanthropic donors, other public sector agencies which have overlapping needs and facilities, and the business sector. The Recreation and Park Department needs to develop, and win political support for, ongoing funding mechanisms to support (a) its own ongoing capital asset maintenance obligations, (b) its ongoing capital asset maintenance obligations related to other organizations' capital programs, and (c) its future facility replacement program.

Recreation and Park Department Accomplishments

The management audit team invited the Recreation and Park Department to submit written statements on what the Recreation and Park Department identifies as recent accomplishments. Key accomplishments provided by the Recreation and Park Department included:

- Hiring of qualified recreation and park professionals into the upper management positions of Director of Operations, Neighborhood Services Superintendent, and Citywide Services Superintendent.

- Reorganizing the Department's operations from four Citywide Quadrants into eight Neighborhood Services Districts, each with its own Neighborhood Services Manager, for increased management oversight of day-to-day park maintenance and recreation program delivery. This reorganization's goal is to increase accountability and provide more responsive customer service.

- Partnering with the Department of Children, Youth, and Their Families to improve programming at five pilot recreation centers and clubhouses.
- Implementing the Proposition C park maintenance standards developed by the Controller's Office by (a) posting gardener and custodian work schedules on the Department's website, (b) developing an update process for schedule accuracy, and (c) implementing a quarterly park inspection process to fulfill Proposition C requirements.
- Establishing an interdisciplinary Irrigation Strike Team to assess the Department's 11 most problematic irrigation systems and to recommend solutions.
- Hiring 14 new gardeners in FY 2005-2006 and training them by means of a new two-week "team building" curriculum. The Department intends to hire an additional five new gardeners in FY 2005-2006, for a total of 19 new gardeners.
- Receiving funding and approval to purchase an on-line reservation system which will assist in (a) enhancing public access to the Department's programming, and (b) eliminating cash handling throughout the recreation and park system.
- Drafting the Department's first open space acquisition policy for the evaluation and prioritization of property acquisition. The draft policy will be presented to the Recreation and Park Commission in January of 2006.
- Updating planning maps to determine areas with high-unmet recreation and park needs.
- Conducting the second annual Park Planning Fair in November of 2005 to provide the public with an opportunity to talk to Department staff about park issues.
- Completing 14 neighborhood park capital improvement projects and four Golden Gate Park capital improvement projects, and overseeing the construction or design/bid phases of 14 neighborhood park capital improvement projects and five Golden Gate Park capital improvement projects.
- Receiving $3,452,163 in Federal and State grants for three projects (Moscone Recreation Center, $2,067,176; Argonne Playground and Clubhouse, $664,428; and Potrero Del Sol Park, $720,559).

Acknowledgements

We would like to thank the management and staff of the Recreation and Park Department for their cooperation during this management audit. We hope the findings contained in this report provide useful tools for the General Manager and his staff as they work to improve the operations of the Recreation and Park Department.

1. Allocation of Recreation and Aquatic Staff Resources

- **The Recreation and Park Department lacks productivity standards to determine the total number and best allocation of recreation staff to meet the Department's program needs. Consequently, the Department has overstaffed the larger recreation centers during the middle of the day, when the Department has the fewest recreation programs. For example, at Oceanview Recreation Center, on a Tuesday afternoon between 12 and 1 p.m., four recreation staff were on duty, but no programs were offered and no members of the public present. Two of the staff members spent a portion of the hour in the gym playing basketball. Other recreation centers, such as the Upper Noe Valley and Glen Park Recreation Centers, appeared overstaffed during site visits. In one instance, none of the recreation staff scheduled to work could be found during the first half hour when the facility was supposed to be open.**

- **The Department does not maintain consistent staffing levels or hours at all recreation facilities. In the sixteen largest recreation facilities, the number of hours the facilities are open per full time equivalent position varies from a low of 9.6 hours per full time equivalent position to a high of 19.8 hours per full time equivalent position. Further, the staffing levels at these facilities do not correlate with the number of weekly program users reported, which range from 184 program users per full time equivalent position to 2,445 program users per full time equivalent position.**

- **Swimming pool fee revenues make up less than 10 percent of the annual swimming pool budget, or $318,500 in fee revenues compared to an operating budget of $3.38 million in FY 2004-2005. The Recreation and Park Department needs to increase swimming pool fee revenues by increasing both attendance and adult swim fees. Swimming pool attendance varies by season and by facility. Monthly swimming pool attendance in FY 2004-2005 ranged from approximately 31,000 in July 2004 to 13,000 in December 2004. Also, the three pools, which had been closed for renovation or maintenance – Martin Luther King Jr. Pool, North Beach Community Pool, and Coffman Community Pool – reported attendance in July and August of 2005 far below pool capacity.**

- **The Recreation and Park Department will not be able to charge higher fees and attract new users without significant improvements in locker room, toilet, and pool cleanliness. For example, the Department of Public Health's July 13, 2005 inspection of Rossi Pool found the women's showers to be "unsanitary" and the July 27, 2005 inspection of Sava Pool found the men's showers to be mildewed and unclean.**

The Recreation and Park Department lacks productivity standards or other criteria to determine optimal allocation of recreation resources. Consequently, the Department does not consistently assign staffing resources according to the best possible use. The Department has made changes to recreation and aquatic positions over the past several years, including increasing the number of full time recreation positions and swimming instructor/lifeguard positions while reducing other positions, but needs to better manage allocation of these positions.

The Department's Allocation of Staff Resources to Neighborhood and Citywide Recreation Programs

The Recreation and Park Department has lost 32 full time equivalent recreation staff positions over the past five years, primarily through attrition. The Department, however, does not yet have the management tools or oversight to evaluate the impact of these reduced positions on the Department's services and does not have a plan for allocating recreation resources. In FY 2000-2001, the Recreation and Park Department had 234 full time equivalent recreation staff positions filled (including both Classification 3280 Assistant Recreation Directors and Classification 3284 Recreation Directors). In FY 2005-2006, the Department currently has 202 full time equivalent recreation staff positions filled, for a total of 32 full time equivalent fewer today than in FY 2000-2001. Therefore, overall, the Department had 13.6 percent fewer recreation staff, as shown in the following Table 1.1.

Table 1.1

Actual Recreation Staff Positions, FY 2001-2002 through FY 2005-2006

Fiscal Year	Full Time Equivalent Positions
FY 2000-2001	234
FY 2001-2002	239
FY 2002-2003	231
FY 2003-2004	222
FY 2004-2005	210
FY 2005-2006	202
Change from FY 00-01 to FY 05-06	**(32)**

Source: Recreation and Park Department

Insufficient Process for Allocating Recreation Staff

Although the Recreation and Park Department has lost 32 full time equivalent recreation staff positions over the past five years, the Department does not have recreation staff performance standards, such as the number of programs staff should offer, or a method to determine the need for or allocation of recreation staff resources. Proposition C requires maintenance standards for parks and schedule compliance for gardening and custodial staff, but the department has no standards for recreation facilities. Particularly relevant for this discussion is the Department's lack of any standardization or analysis of recreation staff scheduling and allocation.

In FY 2005-2006 the Recreation and Park Department created a new management structure, including hiring a Director of Operations for the first time, upgrading the Citywide Services Manager and Neighborhood Services Manager positions, and increasing the number of Neighborhood Services Directors from four to eight. However, these changes are recent and of the writing of this report, only the Director of Operations, Neighborhood Services Manager, Citywide Services Manager, and three of the eight Neighborhood Services Director positions were filled. The lack of a management structure has contributed to inadequate planning and oversight of recreation resources.

Inefficient Recreation Staff Allocation

The Department has not allocated and scheduled its current staff in the most efficient manner to ensure best results. There is considerable variation in the level of staff assigned to facilities per hour of facility operation and per hour of programming.

In particular, among the sixteen largest recreation facilities, or the "Magnitude 5" recreation facilities[1], the number of hours the facilities are open per full time equivalent position varies from a low of 9.6 hours per full time equivalent position to a high of 19.8 hours per full time equivalent position. Further, the staffing levels at these facilities do not correlate with the number of weekly program users reported, which range from 184 program users per full time equivalent position to 2,445 program users per full time equivalent position. Table 1.2 below summarizes these data, as well as several other measures depicting how the Department allocates facility staff and recreation services among its sixteen largest recreation facilities.

Table 1.2

Facility Staffing and Service Provision Measures for Magnitude 5 Recreation Facilities

Staffing and Service Provision Measure	Maximum	Minimum	Average
Weekly Hours of Operation	74.0	51.0	64.3
Recreation Staff full time equivalents (FTEs)	6.10	3.43	4.67
Hours of Operation per FTE	19.8	9.6	14.2
Weekly Program Hours	29	6	20
Programs Hours per Hour of Operation	0.47	0.08	0.31
Program Hours per Hour of Operation per FTE	0.095	0.024	0.066
Program Hours per FTE	6.75	1.61	4.21
Weekly Program Users	2,920	260	1,086
Program Users per Hour of Operation	40.8	4.4	17.2
Program Users per FTE	2,445	184	1,020

Source: Recreation and Park Department, various sources

No Recreation Staff Productivity Standards

The Department does not have productivity standards for its recreation staff, such as the number of program hours they should be in charge or the number of facility users they should oversee. Productivity, if measured by the number of program hours staff oversees, varies significantly. As shown in Table 1.2 above, among all Magnitude 5 recreation facilities, the number of program hours offered per hour of operation ranged from 0.08 to 0.47. In other words, if all recreation facilities were open 40 hours per week, the number of program hours offered during that week would range from 3 to 19 hours. Further productivity variation, as measured by the number of program users per full time equivalent staff member, is also illustrated in Table 1.2.

---

[1] The Recreation and Park Department has categorized its recreation facilities into five categories, with Magnitude 5 being the largest and most used facilities.

Although the Department does not have data on the relative productivity of different individual staff assignments, interviews with department staff suggest that some recreation staff are proactive in the formation, promotion, and management of recreation programs, whereas others are only doing the minimal amount of work. The Department is currently developing productivity guidelines for its gardening staff, as is discussed in Section 2 of this report. By the same rationale, the Department should develop minimal productivity guidelines for its recreation staff as well.

Inappropriate Recreation Staff Schedules

Because the Recreation and Park Department's recreation programs are spread throughout the day, with most programs scheduled in the morning or late afternoon and evening, the Recreation and Park Department created many of its positions as part time positions. In 1999, the Recreation and Park Department increased the hours of 30 part-time recreation staff to full-time, which equaled 2.0 full time equivalent positions. This has resulted in four to five staff being assigned to the large recreation centers during the midday, a time when the Department has the fewest programs. According to Department managers, the staff are expected to use this midday period to plan programs, conduct outreach, perform set-up and clean-up work, run errands, and complete administrative tasks.

The Recreation and Park Department does not ensure that recreation staff use the midday downtime productively, however. During field visits to recreation centers during these off-peak hours, some staff were observed in non-work activities. At Oceanview Recreation Center, for example, on a Tuesday afternoon between 12 and 1 p.m., there were four recreation staff on duty, no programs running, and no members of the public present. Two of the staff members spent a portion of the hour in the gym playing basketball. Site visits to other recreation centers, including Upper Noe Recreation Center (on a Wednesday at 12:30 p.m.) and Glen Park Recreation Center (on a Thursday at 2:30 p.m.) also appeared overstaffed for the amount of activity taking place. In one instance, none of the recreation staff scheduled to work could be found during the first half hour when the facility was supposed to be open.

According to recreation center staffing schedules from the Spring of 2005, the most recent period from which comprehensive staffing schedules are available, there were eight recreation facilities that had scheduled three or more recreation staff between the hours of 12 and 2 p.m. for more than three weekdays a week.

Although anecdotal, these observations of overstaffing in certain facilities, in conjunction with Table 1.2's data that show marked disparities in staffing, program, and user levels, point to the need for the Department to develop and implement a method for the fair and efficient allocation of recreation staff resources based on productivity standards and facility usage.

The Recreation and Park Department should assess the need for part time and full time staff. The Budget Analyst estimates that the mid-day overlap in staffing, which often results in nonproductive time, equals approximately 2 full time equivalent positions. If the Recreation and Park Department were to reduce unneeded full time positions to part time, the salary savings could be reallocated to pay for other Department staff needs, such as custodian staff needs as discussed in Section 2 of this report.

Swimming Pool Staffing, Attendance, and Closures

The Recreation and Park Department changed its aquatic staffing model in FY 2003-2003 and FY 2003-2004, eliminating locker room attendants and cashiers and increasing the number of swimming instructors/lifeguards. The Recreation and Park Department eliminated the locker room attendants and cashiers to save money, and in doing so, changed the procedures for collecting swimming pool fees. Rather than cashiers collecting fees at the entrance, the Department set up a system of locked boxes at each pool, with swimmers depositing their fee in the locked box on entering the pool.

Between FY 2002-2003 and FY 2004-2005 the Recreation and Park Department has reduced the number of budgeted swimming pool positions from 69 to 48.22 full time equivalent positions, a 30.1 percent reduction, as shown in Table 1.3.

Table 1.3

Reduction in Budgeted Swimming Pool Full Time Equivalent Positions FY 2002-2003 through FY 2004-2005

	FY 2002-2003	FY 2003-2004	FY 2004-2005	Percent Increase/(Decrease) from FY 2002-2003 through FY 2004-2005
3202 Locker Room Attendants	13.00	6.90	0	(100%)
3204 Swimming Pool Cashier	17.00	8.50	0	(100%)
3210 Swimming Instructor/Lifeguard	30.00	31.72	31.72	5.7%
3214 Senior Swimming Instructor	8.00	8.00	8.00	0%
3287 Assistant Supervisor	0.00	1.00	1.00	100%
3291 Principal Recreation Supervisor	1.00	0.00	0.00	(100%)
9910 Public Service Trainee	0.00	0.00	7.50	100%
Total Swimming Pool Positions	69.00	56.12	48.22	(30.1%)

Source: Annual Salary Ordinance

The Recreation and Park Department's annual swimming pool budget also decreased between FY 2002-2003 through FY 2004-2005, from $4.08 million in FY 2002-2003 to $3.38 million in FY 2004-2005, a reduction of approximately $700,000 or 17.2 percent. This reduction in staff and budget was due in part to the closing of the North Beach Community Pool from July 2003 through May 2005 for renovation, and closing other pools temporarily for repairs or annual maintenance.

Impact of Staffing Changes on Swimming Fee Collections

In FY 2003-2004, the first year that the Recreation and Park Department reduced swimming pool cashier positions, swimming fee collections decreased by $30,000, or 9.8 percent, from $306,000 in FY 2002-2003 to $276,000 in FY 2003-2004. The Recreation and Park Department did not shift fee collection responsibilities to the swimming instructors/lifeguards but rather set up a system of locked boxes that are transported directly to the Revenue Unit at McLaren Lodge by armored transport.

According to the May 2004 Controller's report on swimming pool staffing, the Recreation and Park Department's attendance tallies were inaccurate, preventing reconciliation of cash receipts to pool attendance. In FY 2002-2003, when swimming pool cashiers collected and recorded fees, swimming pool attendance in FY 2002-2003 was 236,872. The Department did not keep accurate attendance records in FY 2003-2004 after swimming pool cashier positions were reduced. In FY 2004-2005, the Recreation and Park Department began keeping more accurate swimming pool attendance records and reported FY 2004-2005 attendance of 253,648 and revenues of $318,500, which is slightly less than the expected revenues of $319,987.

Table 1.4

FY 2004-2005 Swimming Pool Attendance and Expected and Actual Fee Revenues

	Attendance	Fee	Total Expected Revenues	Actual Revenues	Difference in Actual Revenues Compared to Expected Revenues
Adults	86,339	$3.00	$259,017		
Children	59,314	$0.50	29,657		
Seniors	16,745	$1.87	31,313		
No Charge	91,250	0	0		
Total	**253,648**		**$319,987**	**$318,500**	**($1,487)**

Source: Recreation and Park Department

Although the Recreation and Park Department considers the current fee collection method, in which swimming pool patrons deposit cash into a locked box on entering the facility, to be an interim method, the Department has not yet implemented other systems to facilitate payment of swimming pool fees. Currently, swimming pool patrons can purchase discounted scrip booklets online or by mail, but must wait up to five days or longer to receive the booklets in the mail. Otherwise, the scrip booklets can only be purchased at McLaren Lodge or City Hall. The Board of Supervisors approved implementation of monthly swim passes in FY 2005-2006 but the Recreation and Park Department has not yet implemented the monthly swim passes.

The Recreation and Park Department needs to move forward in implementing a more accessible scrip booklet and monthly pass system. The Department has included funds in the FY 2005-2006 budget to install a reservation and permits system, which gives Recreation and Park Department patrons online access to reservations and permits. The Department needs to assess the potential for allowing patrons to print scrip tickets through this system rather than waiting for mailed scrip booklets. The Department also needs to move forward with a plan allowing swimming pool patrons to purchase monthly passes online and purchase scrip booklets and monthly passes at convenient locations throughout the City. The Department should also assess opportunities to increase the locations where swimming pool patrons can purchase scrip booklets and monthly passes, including agreements with other City departments that routinely handle cash, such as the libraries, or vendors that sell MUNI fast passes.

The General Manager should report to the Recreation and Park Commission during the FY 2006-2007 budget preparation and review on the status of implementing these new systems. The General Manager should also report on the Department's plans to install an electronic gated entry system at the swimming pools that would automatically admit patrons through an electronic gate.

Swimming Pool Closures

The Recreation and Park Department closes the eight year-round swimming pools for pre-scheduled maintenance throughout the year and posts the maintenance schedule on the Department's web site. Additionally, swimming pools are closed unexpectedly due to inadequate staffing, or maintenance and sanitation problems. In calendar year 2004, the Recreation and Park Department closed the swimming pools unexpectedly on 20 different occasions due to a variety of causes. In calendar year 2005, the Recreation and Park Department closed the swimming pools unexpectedly on 35 different occasions, a 75 percent increase in pool closures.

Table 1.5

Unscheduled Pool Closures in Calendar Years 2004 and 2005

[illegible]	Calendar Year 2004	Calendar Year 2005	Percent Increase
Staffing Shortage	3	15	400%
Power Outage	3	5	67%
Boiler Outage	1	0	(100%)
Water Temperature Unregulated	0	1	100%
Water Clarity	1	1	0%
Chemical Imbalance	0	3	100%
Circulation Problems	0	1	100%
Contamination	9	8	(-11%)
Other	3	1	(-67%)
Total	**20**	**35**	**75%**

Source: Recreation and Park Department

Pool Closures due to Staffing Shortages

The Recreation and Park Department needs to maintain at least two certified staff, which includes swimming instructors/lifeguards and senior swimming instructors, at each pool. If the Department has insufficient certified staff, then the Department closes the pool. The Recreation and Park Department increased swimming instructor/lifeguard staffing at the swimming pools to replace the eliminated swimming pool cashier and locker room attendant positions. Under the current staffing model, each swimming pool is intended to have three certified staff and two trainees scheduled at all times, except for Martin Luther King Jr. Pool and the North Beach Community Pool, which are intended to have four certified staff at all times.

According to the May 2004 Controller's report, unanticipated pool closures were reduced for a three-month period in FY 2003-2004 compared to the same three-month period in FY 2002-2003, prior to the reduction in swimming pool cashier and locker room attendant positions and increase in swimming pool instructor/lifeguard positions. The Controller's Office found that nine pools were closed due to staff shortages during the three-month period in FY 2002-2003 compared to one pool closed due to staff shortages during the same three-month period in FY 2003-2004.

As noted in Table 1.5, the Recreation and Park Department closed pools due to staffing shortages on 15 different occasions between January and December 2005. Coffman Community Pool was closed on eight occasions, North Beach Community Pool was closed on three occasions, and Garfield Pool, Hamilton Pool, Rossi Pool, and Martin Luther King Jr. Pool were each closed on one occasion due to staffing shortages. Nine of the pool closures occurred in October 2005. According to the Aquatics Program, these pool closures were aggravated by a delay in closing the outdoor Mission Pool, which was due to close at the end of the summer season, and the Coffman Pool, which was due to close for scheduled renovation, resulting in staffing of nine rather than seven pools, as anticipated in the annual budget. The Recreation and Park Department needs to evaluate its staffing and pool closure schedules throughout the year to ensure adequate staffing during the year and reduce the number of occasions that swimming pools are closed unexpectedly due to staffing shortages. If swimming pool maintenance and renovation schedules change during the year, the Department should revise the pool hours during the course of the year based on changes to maintenance and renovation schedules, pool use, and staff availability, and post the revised pool hours on the web site.

Pool Closure for Water Quality Problems

The Recreation and Park Department closed pools 10 times in 2004 and nine times in 2005 due to problems with water clarity or contamination. The Department of Public Health routinely inspects swimming pools for water quality. The Department of Public Health only reported one problem with swimming pool water quality – an inadequate chlorine level – during 17 site visits in FY 2004-2005.

Under Recreation and Park Department policy, Structural Maintenance staff check the swimming pools daily for water quality and chemical balance. The Department also has procedures to close the pool in the event of bodily fluid contamination.

The Department should consider several procedures to reduce the impact of bodily fluid contamination in the public pools, including:

- Setting up vending machines with swimming diapers. Currently, the City of Oakland issues free swimming diapers to parents with young children.
- Establishing a mobile custodian crew dedicated to the swimming pools. The Budget Analyst has recommended increasing the swimming pool fee (see below) to fund 1.5 custodian positions for the swimming pools.
- Equipment purchases, such as pool vacuums and pool washers. The Department should review the use, cost, and possible funding sources for such equipment.

Swimming Pool Locker Room Cleanliness

The California Code of Regulations for swimming pools requires swimming pool showers and toilets to be clean and in good repair. The Department of Public Health conducts routine inspections of the swimming pools, including the cleanliness of the locker rooms. According to the Controller's May 2004 report, the Department of Public Health cited the Recreation and Park Department for locker and shower room sanitation violations six times between July 2003 and May 2004. Table 1.6 shows the July 2004 through August 2005 Department of Public Health inspections and results.

Table 1.6

Department of Public Health Swimming Pool Locker and Shower Room Inspection Results

July 2004 through August 2005

Swimming Pool	Date of Inspection	Result
September 22, 2004	Hamilton Pool	No paper towels in women's bathroom
June 29, 2005	Hamilton Pool	Clean and maintain floors in front of shower
July 13, 2005	Rossi Pool	Women's shower unsanitary; remove algae
July 15, 2005	Martin Luther King, Jr. Pool	Men's shower requires tiling
July 27, 2005	Sava Pool	Clean men's shower and remove accumulated mildew; repair broken toilet in women's locker room

Source: Recreation and Park Department

The Recreation and Park Department's Neighborhood Services and mobile crew custodians maintain the cleanliness of the locker rooms and toilets. The custodian mobile crews clean the locker rooms and toilets of five pools, including Mission, Garfield, Hamilton, Sava, and Rossi Pools, and individual custodians assigned to Neighborhood Services parks and recreation centers clean the other four pools, including Balboa, Coffman, Martin Luther King Jr., and North Beach Pools. According to the May 2004 Controller's Office report, maintenance of the locker rooms varies from facility to facility and has been inconsistent over the past several years. Under current practice, custodial staff clean the North Beach Community, Balboa, Rossi, and Sava Pools twice per week or more, and clean Garfield, Hamilton and Mission Pools once per week.

Swimming Pool Fees and Attendance

Swimming pool fee revenues make up less than 10 percent of the annual swimming pool operating budget. In FY 2004-2005, the operating budget was $3.38 million and fee revenues were $318,500. Fee revenues are dependent on both the amount of the fee and swimming pool attendance.

Swimming pool fees were increased in FY 2005-2006 after a ten year period in which no fees were increased. In FY 2005-2006, adult recreation and lap swim fees increased by $1.00, from $3.00 to $4.00.

Swimming pool attendance varies by season and by facility. Swimming pool attendance is high during the summer months, but much lower during the winter. Monthly swimming pool attendance in FY 2004-2005 ranged from approximately 31,000 in July 2004 to 13,000 in December 2004. Also, three pools which had been closed for renovation or maintenance – Martin Luther King Jr. Pool, North Beach Community Pool, and Coffman Community Pool – reported low attendance in July and August of 2005 compared to pool capacity.[2]

The Recreation and Park Department needs to evaluate swimming pool fees and attendance and identify opportunities for increased paid attendance. The Recreation and Park Department should look at opportunities for ongoing fee increases and evaluate the revenue impact of fee increases associated with discounted scrip tickets and monthly passes and include this evaluation in the General Manager's report to the Recreation and Park Commission during the FY 2006-2007 budget preparation and review.

However, any fee increases need to be linked to improved maintenance and cleanliness of the pool facilities. The Recreation and Park Department will not be able to charge higher fees and attract new users without significant improvements in locker room, toilet, and pool cleanliness. An increase in adult recreation and lap swimming fees of $1.00, from $4.00 to $5.00 could fund 1.5 full time equivalent custodian positions dedicated to the swimming pools. The Recreation and Park Department should also evaluate the need for an evening shift custodian to clean the pools after hours, allowing more thorough cleaning when pool patrons are not present.

Conclusions

The Recreation and Park Department has no formal method for allocating staff resources, resulting in unequal distribution of staff time among programs and facilities. Generally, staff have been assigned to program or facilities based upon prior practice or history. As employees have left the Department and not been replaced, gaps in programs and services have resulted. The misallocation of staff resources has been exacerbated by the lack of productivity standards. Because the Department has not defined appropriate staffing or productivity levels the Department has no information on its actual staffing needs.

The Recreation and Park Department needs to evaluate swimming pool fees and attendance and identify opportunities for increased paid attendance. The Recreation and Park Department should look at opportunities for ongoing fee increases and evaluate the revenue impact of fee increases associated with discounted scrip tickets and monthly passes and include this evaluation in the General Manager's report to the Recreation and Park Commission during the FY 2006-2007 budget preparation and review. However, any fee increases need to be linked to improved maintenance and cleanliness of the pool facilities. The Recreation and Park Department will not be able to charge higher fees and attract new users without significant improvements in locker room, toilet, and pool cleanliness.

---

[2] According to the Recreation Assessment, pool capacity is calculated by multiplying the pool's square footage by National Recreation and Parks Association national guidelines for pools.

Recommendations

The Director of Operations should:

1.1 Develop minimum productivity standards for recreation staff in conjunction with the Neighborhood and Citywide Services Managers.

1.2 Develop a method for accurately determining facility use statistics in conjunction with the Neighborhood and Citywide Services Managers.

1.3 Develop a recreation staff allocation plan based on productivity and facility use standards in conjunction with the Neighborhood and Citywide Services Managers.

1.4 Assess the need for part time and full time recreation staff and propose reductions in full-time staffing to part time as appropriate, resulting in salary savings equivalent to two full time recreation director positions.

1.5 Reallocate salary savings from the reduction in full time recreation staff to part time recreation staff to fund custodian staff evening shift and lead custodian positions, as discussed in Recommendation 2.1.

1.6 Implement a system to print scrip tickets online, in conjunction with the Director of Administration and Finance.

1.7 Implement the monthly passes, as approved by the Board of Supervisors in FY 2005-2006, including developing a system to purchase monthly passes online, in conjunction with the Director of Administration and Finance.

1.8 Assess opportunities to increase the locations where swimming pool patrons can purchase scrip booklets and monthly passes, including agreements with other City departments that routinely handle cash, such as the libraries, or vendors that sell MUNI fast passes, in conjunction with the Director of Administration and Finance.

1.9 Evaluate swimming pool staffing and planned closures throughout the year to ensure adequate staffing during the year and reduce the number of occasions that swimming pools are closed unexpectedly due to staffing shortages, including (a) revising the pool hours during the course of the year based on changes to maintenance and renovation schedules, pool use, and staff availability, and (b) posting the revised pool hours on the web site.

1.10 Evaluate swimming pool fees and attendance and identify opportunities for increased paid attendance, especially at pools with below capacity use and during the winter months.

1.11 Assess the potential of increased revenues through fee increases to fund additional custodian staffing.

1.12 Install vending machines to distribute swimming diapers.

1.13 Review the use, cost and funding sources for equipment purchases, such as pool vacuums and pool washers.

The Recreation and Park Department General Manager should:

1.14 Report to the Recreation and Park Commission during FY 2006-2007 on the status of implementing swimming pool payment systems, including (a) purchasing and printing scrip tickets online, (b) purchasing monthly passes, and (c) installing an electronic gated entry system at the swimming pools that would automatically admit patrons through an electronic gate.

1.15 Report on the revenue impact of potential fee increases, including fee increases associated with discounted scrip tickets and monthly passes, and include this evaluation in the General Manager's report to the Recreation and Park Commission during the FY 2006-2007 budget preparation and review.

Costs and Benefits

Developing performance and productivity standards would allow the Department to better determine the need for and allocation of recreation staff. Reducing the number of unneeded full time recreation director to part time recreation director positions, equal to approximately 2.0 full time equivalent positions, would result in an estimated $118,000 annual salary and benefit savings. The Budget Analyst has recommended that these savings be allocated to reassigning custodians to the evening shift and creating lead custodian positions.

If the Recreation and Park Department increased attendance during the winter months and at pools that are currently below capacity by 10 percent, the Department's revenue would increase by approximately $30,000. If the Recreation and Park Department were to increase the fee for adult lap and recreational swimming by $1.00, from $4.00 to $5.00, the Department could increase revenues by approximately $89,000 annually. To increase fees, the Department would have to assure pool customers that the locker rooms and toilets would be well maintained, and therefore, should allocate increased revenues to funding up to 1.5 custodian positions, with salary and mandatory fringe benefit costs of approximately $58,000 per position, or $87,000 per 1.5 positions.

2. Allocation of Gardener and Custodian Staff Resources

- **The Recreation and Park Department lacks the management tools to determine the number of gardener and custodian positions that it needs or how to allocate these positions to the Department's parks and recreational facilities. Consequently, the Department cannot show that it is spending its money on gardener and custodian resources in the best or most efficient way.**

- **The Department is in the process of implementing park maintenance standards as required by Proposition C, passed by the voters in November 2003, and out of these standards expects to develop productivity standards for gardeners. Two years after the adoption of Proposition C, the Department has established regular maintenance schedules for parks and completed one set of park evaluations between June of 2005 and September of 2005, but has not yet analyzed the evaluation results or released these results to the public.**

- **The Recreation and Park Department lacks a system to ensure best use of custodian resources. Although many Department facilities are open in the evening all but one custodian are assigned to the day shift. Facility cleaning occurs early in the day, when recreation directors are conducting programs, leading to problems with wet floors, closed bathrooms, and other issues.**

- **Some custodians are assigned to single recreational facilities and others are assigned to multiple facilities, depending on the size, location, type, use and condition of the facilities. Although the Department does not have data on the relative productivity of different custodian assignments, interviews with Department staff disclosed that custodians at some facilities have significant down time while other custodians are fully assigned, and that different facilities are maintained to different standards. Some facility cleaning is clearly inadequate, such as the once per week cleaning of some swimming pool locker rooms and toilets, resulting in Department of Public Health notices for inadequate cleanliness.**

- **The Recreation and Park Department needs to reassign custodians and custodial supervision, including establishing a swing shift and setting up mobile crews. The Department should also develop productivity and performance standards for custodial services and training in custodial best practices for non-custodian supervisors and custodian staff.**

Allocating Recreation and Park Department Custodian and Gardener Resources throughout the City

The Recreation and Park Department has lost custodian and gardener positions over the past two years through attrition. The Department does not yet have the management tools or oversight to evaluate the impact of these staff reductions on the Department's services and does not have a defined plan for re-allocating gardener and custodian resources. In September 2005, the Recreation and Park Department had 45.1 fewer gardeners and six fewer custodians than in August 2003. Overall, the Department had 17 percent fewer gardeners, as shown in Table 2.1. The neighborhood parks experienced the largest reduction in gardeners, from 103.27 full time equivalent positions to 76.43 full time equivalent positions, a reduction of 26.85 full time equivalent positions or 26 percent.

Table 2.1

Comparison of Actual Gardener Positions in August 2003 and September 2005

	FTEs as of August 2003	FTEs as of September 2005	Increase/ (Decrease) in FTEs	Percent Increase/ (Decrease)
Golden Gate Park (includes Golf Course)	52.60	50.00	(2.60)	(5%)
Conservatory of Flowers[1]	3.00	0.00	(3.00)	(100%)
Botanical Gardens[2]	10.00	10.00	0.00	0%
Nursery	7.00	6.00	(1.00)	(14%)
Golf Courses	36.00	31.00	(5.00)	(14%)
Neighborhood Parks	103.27	76.43	(26.85)	(26%)
Urban Forestry	14.00	13.00	(1.00)	(7%)
Natural Areas	9.60	7.20	(2.40)	(25%)
Turf Management	23.00	20.00	(3.00)	(13%)
Other Citywide	1.25	1.00	(0.25)	(20%)
TOTAL	**259.72**	**214.63**	**(45.10)**	**(17%)**

Source: Recreation and Park Department

[1] The Conservatory of Flowers staffing is currently made up of nursery specialist rather than gardener positions.

[2] Friends of the San Francisco Botanical Gardens fund one gardener position on the condition that the Recreation and Park Department maintain ten gardener positions in the botanical gardens.

In December 2005 the Recreation and Park Department added 14 gardener positions to replace the positions lost through attrition. According to the Director of Operations, these new positions will be assigned as follows:

- Two gardener positions assigned to McLaren Park.
- Two gardener positions assigned to the Civic Center.
- Two gardener positions assigned to Dolores Park.
- Two gardener positions assigned to Golden Gate Park.
- One gardener position assigned to the Mission District.
- One gardener position assigned to the Western Addition.
- One gardener position assigned to the Richmond District.
- One gardener position assigned to the San Francisco Botanical Gardens, which will be funded by the San Francisco Botanical Gardens Society.
- Two gardener positions to Lake Merced, which will by funded by the Public Utilities Commission.

According to the Director of Operations, these gardener position allocations were determined through discussions with Department managers, based upon an analysis of the past and current deployment of gardeners and an evaluation of the current park needs. The Recreation and Park Department expects requisitions for five additional gardener positions to replace positions vacated since July of 2005 to be approved and the hiring process to begin in January of 2006, which will be allocated to the same assignments that were vacated.

The Department's Process for Planning and Allocating Gardener Resources

Proposition C and Park Maintenance Standards

The Recreation and Park Department has not previously had park maintenance standards or a method to evaluate the department's performance against such standards. Under Proposition C, passed by the voters in November of 2003, the Recreation and Parks Department is required to establish standards for park maintenance, and publish park maintenance schedules on the Recreation and Park Department web site.

In FY 2004-2005, the Controller's Office worked with the Recreation and Park Department to define park properties and facilities, establish maintenance standards, and determine gardener schedules by specific park property or facility. During this time the

Controller's Office and the Recreation and Park Department worked jointly to develop a park maintenance standards manual and evaluation tools and posted the manual on the Recreation and Park Department web site. The standards cover 14 categories of park properties and activities, including lawns, ornamental horticulture, athletic fields, playgrounds, and park restrooms. The standards do not include specialized facilities, such as golf courses and the botanical gardens, or indoor recreational facilities.

The Controller's Office also completed gardener and custodian schedules for 190 neighborhood parks and posted these schedules on the Recreation and Park Department web site. These schedules are expected to be updated quarterly.

Park Productivity Standards

Prior to Proposition C, the Recreation and Park Department has had no formal standards for park maintenance and therefore has had no systematic method to determine how many gardeners are necessary to maintain the parks. Currently, the Recreation and Park Department planning staff are defining a set of gardener tasks that support the new park maintenance standards and the horticultural task specifications necessary to maintain the parks to these standards. The Department staff are developing a park system geographic information system (GIS) database that includes (a) park locations, acreage and site-specific improvements, and (b) new City park maintenance standards, operational guidelines and standard practices by extrapolating information from park maintenance and productivity standards compiled by the National Recreation and Park Association.

According to the Director of Operations, the Department will use these new standards and practices as the benchmark guidelines for planning, estimating, organizing, and evaluating park maintenance work, and will adjust the standards over time to reflect actual field performance based on data collected by the park maintenance management information system. The Department intends to use these initial guidelines to estimate the number of full time equivalent positions needed for each park or facility to meet the desired standards. The Department has tested this approach to establishing standards at Lafayette Park and expects to have completed an evaluation of this approach by December of 2005.

The Recreation and Park Department planning staff expect to complete the initial set of productivity standards for all park landscapes and outdoor recreation facilities in January of 2006. According to the Director of Operations, these initial standards will be used to estimate staffing levels and allocation, and measure performance. The Department will look at using the productivity data to evaluate park maintenance standards developed in accordance with Proposition C and to address service gaps, propose new service strategies, and support budgetary and staffing recommendations.

Gardener Staffing for the Golf Courses, Botanical Gardens, and Natural Areas

The park maintenance standards developed by the Controller's Office and the associated productivity standards developed by the Recreation and Park Department planning staff do not include the golf courses, San Francisco Botanical Gardens, or the Natural Areas.

Because the golf course gardener positions are funded wholly by the Golf Fund, golf course revenues determine the level of staffing. The Recreation and Park Department is reviewing the distribution of gardeners among the four golf courses maintained by the City. The current Harding and Fleming Golf Courses' staffing levels have been higher than the City's typical golf course staffing levels to meet the PGA Tour, Inc.'s tournament standards.

The San Francisco Botanical Gardens have been staffed with ten gardeners and will receive one additional gardener position, which will be funded by the San Francisco Botanical Garden Society. Under an informal agreement between the Recreation and Park Department and the San Francisco Botanical Garden Society, the Department has agreed to maintain 11 gardeners in the Botanical Gardens if the Society funds one position.

The 7.2 full time equivalent gardener positions for the Natural Areas are funded by the Open Space Fund. The Natural Areas gardener work differs from other Department gardener work, emphasizing work with the Volunteer Program and knowledge of the preservation, restoration, and management of indigenous plants in their native setting.

The Recreation and Park Department needs to develop maintenance practices and gardener productivity standards for the golf courses, the Botanical Gardens, and the Natural Areas to ensure that the Department has an overall understanding of its gardening resource needs. Although some gardening positions are funded by different sources, the Department should allocate gardening resources across the Department based on productivity standards.

The Recreation and Park Department's Implementation of Proposition C Park Standards and Schedules

The Department has not yet fulfilled its charter-mandated responsibilities under Proposition C. According to the text of Proposition C, the Recreation and Park Department is required to:

> … establish regular maintenance schedules for … parks and park facilities, which shall be available to the public and on the department's website. Each such department shall monitor compliance with these schedules, and shall publish regularly data showing the extent to which the department has met its published schedules.

Although the Department has established regular maintenance schedules for parks and park facilities and posted these on its website, the results of the park evaluations are not yet published.

The Department has agreed to survey and evaluate all of its parks twice per year to determine compliance with the published standards and schedules. The Department has completed one round of evaluations of all parks during the period of June through September of 2005, although the results of this first round have not been analyzed or released to the public. Park section supervisors and Planning Division staff performed the site evaluations to assess maintenance standards compliance. The Department intends to schedule evaluator site visits to verify gardener and custodian schedules. In addition to these two Proposition C evaluations performed every year by the Department, the Controller's Office will survey all parks annually, serving in an auditing capacity.

The Department believes that it will be able to report its Proposition C maintenance performance by January of 2006. However, according to staff in the Department, the Controller's Office has not yet trained Department staff to use the application Department of Telecommunication and Information Systems developed for updating staff schedules, and, therefore, it will be several months before such compliance reporting is feasible.

The Recreation and Park Department staff member currently tasked with managing the Proposition C implementation and coordinating with the Controller's Office is a member of the Department's long range Planning Division. Once the planning and development of the standards is completed, responsibility for the management of the park maintenance management system, maintenance standards, schedules, and compliance should be transferred to the Director of Operations.

The Department's Process for Planning and Allocating Custodian Resources

Management of custodians is currently dispersed throughout the Department. The Department has two mobile custodian crews under the supervision of two assistant custodian supervisors. One assistant custodian supervisor reports to the assistant park superintendent for quadrant 1, and is responsible for custodial services in quadrants 1 and 2.[1] The other assistant custodian supervisor reports to the vacant assistant park superintendent position for quadrant 3, and is responsible for custodial services in quadrants 3 and 4.[2]

The Department also assigns custodians to specific recreation or park facilities within each quadrant, who report to the respective park section supervisor. The mobile crews are responsible for providing custodial services for facilities when no custodian is permanently assigned or when the regularly assigned custodian is absent.

Lack of Department-wide Standards for Custodial Services

Responsibility for custodian services is assigned to two Neighborhood Services assistant park superintendents, the Golden Gate Park area supervisor, and two assistant custodian supervisors. Various park supervisors are responsible for on-site custodian performance in each complex, although the two assistant custodian supervisors also indirectly supervisor custodial staff. The absence of established custodial services standards reduces the ability of the custodian supervisors to manage and evaluate custodial performance. Also, except for health and safety training, custodians are not provided training in efficient methods or best practices, resulting in inconsistent practices across the Department.

---

[1] Quadrant 1 covers supervisor districts 5, 8, and 9, and quadrant 2 covers Supervisor districts 2, 3, and 6.

[2] Quadrant 3 covers supervisor districts 1, 4 and 7 and quadrant 4 covers Supervisor districts 10 and 11.

Inefficient Custodian Staff Allocation

The Recreation and Park Department does not allocate custodian staff efficiently to ensure best results. Many Department facilities are open during the evening. With the exception of the custodian assigned to Kezar Pavilion, who works from 4:00 p.m. to 12:00 midnight, all custodians work during the day shift. According to interviews with recreation staff, facility cleaning occurs early in the day, when recreation directors are conducting programs, leading to problems with wet floors, closed bathrooms, and other issues.

Further, custodial services are not allocated evenly. Some custodians are assigned to single large recreational facilities and others are assigned to multiple facilities, depending on the size, location, type, use, and condition of the facilities. Although the Department does not have data on the relative productivity of different custodian assignments, interviews with Department staff suggest that some facilities custodians have significant down time while other custodians are fully assigned, and that different facilities are maintained to different standards.

Evaluating Custodian Assignments and Supervision

The Recreation and Park Department should evaluate custodian assignments and supervision. The evaluation should include:

- Establishment of a evening shift for custodians.
- Re-assigning Neighborhood Services custodians from facilities to mobile crews.
- Establishing a single custodian crew in Golden Gate Park.
- Creating lead positions for mobile crews and the Golden Gate Park crew.
- Establishing reporting lines to the eight Neighborhood Services Directors and the Golden Gate Park supervisor.
- Reviewing and revising the custodian job description to include green areas as well as facilities.

The Recreation and Park Department will need to work with the Mayor's Office and the Director of Human Resources to meet and confer with Service Employees International Union (SEIU) Local 790 to establish a evening shift for the custodians and revise the custodian job description to include green areas as well as facilities.

The Recreation and Park Department will incur new costs for establishing an evening shift and lead positions for custodians. As discussed above, some of these new costs can be offset by reducing unneeded full time recreation staff positions to part time.

Productivity, Performance and Training Standards for Custodians and Non-Custodian Supervisors

The Recreation and Park Department does not currently have productivity or general performance standards for custodial services. Although the Proposition C park maintenance standards include standards for clean restrooms, the standards do not extend to more general custodial functions. The Department needs to develop productivity and performance standards for custodians and a methodology for allocating custodian resources to facilities. Also, as discussed in Section 3 of this report, the Department should develop training in custodial best practices for non-custodian supervisors and custodian staff.

Improving Planning and Productivity for Gardeners and Custodians

The Recreation and Park Department needs to address several issues that interfere with gardener and custodian performance, including (a) improving communication through improved internet and phone access, and (b) mitigating the impact of homeless encampments on workload.

Providing Internet and Telephone Access

The Recreation and Park Department's 2003 "Information Technology Strategic Plan" states that:

> … although a great percentage of the work that goes on at the Recreation and Park Department does not require a direct interface with a desktop computer, there is no justification for the Department to have been so overlooked in the past when it comes to automation. As a consequence, the Department is very 'unconnected'. This unconnected aspect contributes to communications problems, internal (management to staff) and external (department to the public)."

The Information Technology Strategic Plan recommended a survey and plan to address the telephone, voice mail, email and computer needs of the entire Department. As a result, the Department is adding voice over internet protocol systems, in conjunction with the Department of Telecommunications and Information Services, to Department facilities. In FY 2005-2006, five facilities are funded to receive voice over internet protocol systems: the Park Aid facility on Stanyan Street, the Conservatory of Flowers, the Mission Recreation Center, the South of Market Recreation Center, and the Urban Forestry facility. The Department has not yet identified additional facilities to receive voice over internet protocol systems.

The Department is also reviewing options for cell phone or radio access for mobile crews and staff assigned to remote locations. This review is still in the planning stages and the Department has not fully identified the criteria, type of access, funding or timeframe for implementing radio or cell phone access for Department staff.

During the FY 2006-2007 budget review, the Recreation and Park Department should submit to the Board of Supervisors the Department's plan for extending computer, telephone, voice mail and email access throughout the Department.

Work Order Entries via the Internet

The Recreation and Park Department recently implemented the Total Managed Asset system to manage facility work orders. As part of the implementation, the Department changed the work order procedure, requiring that routine work orders be submitted through the internet rather than called in. Interviews and focus groups with Department staff suggest that implementation of the new procedure has been awkward. Work orders are now placed through the supervisor or manager but not all supervisors have internet access nearby. According to the Department's Information Technology Manager, the Department can set up dial-up internet connections at most sites and has ten available computers to do so. The Director of Operations, in conjunction with the Neighborhood and Citywide Services Managers, needs to ensure that all supervisors have internet access at a convenient location and are trained in computer and internet use.

Mitigating the Impact of Homeless Encampments

Many Department managers and staff have expressed concern about the loss in gardener productivity resulting from homeless encampments in the parks. Cleaning up and removing homeless encampments is time consuming and can be hazardous for gardener staff. At least one work related injury has resulted from an encounter between a park gardener and a homeless person.

According to the Director of Operations, the Recreation and Park Department's primary working relationship addressing the homeless problem has been with the Police Department. The Recreation and Park Department holds bimonthly meetings with police and gardener staff and works with local police stations to facilitate park patrols.

The impact of homeless encampments in the parks is a City rather than a Department-specific problem. The General Manager should work with the Mayor and with Homeless Connect to set up a Homeless Connect parks team to address the impact of homeless encampments in the parks and to coordinate City departments' resources and services.

Conclusions

The Recreation and Park Department lacks management tools to determine if gardener and custodian resources are allocated in the best possible manner. In accordance with Proposition C, passed by the voters in November 2003, the Controller's Office has worked with the Department to develop park maintenance standards, and out of that effort, the Department is developing productivity targets. The Department needs to implement a methodology to allocate gardener resources based on a more precise assessment of facility needs, park maintenance standards and productivity targets.

The Department needs to develop standards for custodian services and ensure that custodians are assigned in a way that makes best use of custodian staffing. Currently, all but one custodian are assigned to the day shift, even though most facilities are conducting programs, preventing the custodians from thoroughly cleaning facilities. Also, custodian assignments are not necessarily evenly distributed, with some Department staff reporting that custodians at some facilities have significant down time while other custodians are fully assigned, and that different facilities are maintained to different standards.

Recommendations

The Director of Operations should:

2.1 Reallocate salary savings from the reduction in full time recreation staff to part time recreation staff to fund custodian staff evening shift and lead custodian positions, as discussed in Recommendations 1.4 and 1.5.

2.2 Direct the Neighborhood and Citywide Services Managers to develop a methodology to allocate gardener resources based on a more precise assessment of facility needs, park maintenance standards, and productivity targets.

2.3 Develop gardener facility maintenance and productivity targets for the golf courses, the San Francisco Botanical Gardens, and the Natural Areas.

2.4 Evaluate custodian assignments and supervision, including:

(a) Establishing an evening shift for custodians.

(b) Re-assigning Neighborhood and Citywide Services custodians from facilities to mobile crews.

(c) Establishing a single custodian crew in Golden Gate Park.

(d) Creating lead positions for mobile crews and the Golden Gate Park crew.

(e) Establishing reporting lines to the eight Neighborhood Services Directors and the Golden Gate Park supervisor.

(f) Reviewing and revising the custodian job description to include green areas as well as facilities.

2.5 Develop productivity and performance standards for custodians and a methodology for allocating custodian resources to facilities.

2.6 Develop training in custodial best practices for non-custodian supervisors and custodian staff.

2.7 Ensure that all supervisors have internet access at a convenient location and are trained in computer and internet use, in conjunction with the Neighborhood and Citywide Services Managers.

The Recreation and Park Department General Manager should:

2.8 Reassign responsibility for planning and complying with the Proposition C park maintenance standards to the Director of Operations.

2.9 Work with the Mayor's Office and the Department of Human Resources to meet and confer with Service Employees International Union (SEIU) Local 790 to (a) establish an evening shift for custodians, and (b) revise the custodian job description to include green areas as well as facilities.

2.10 Submit to the Board of Supervisors the Department's plan for extending computer, telephone, voice mail, and email access throughout the Department during the FY 2006-2007 budget review.

2.11 Work with the Mayor and with Homeless Connect to set up a Homeless Connect parks team to address the impact of homeless encampments in the parks and to coordinate City departments' resources and services.

Costs and Benefits

Implementation of the Budget Analyst's recommendations should result in better use of the Department's money to pay for gardeners and custodians, including better park and facility maintenance. Although the Department would incur increased costs by assigning custodians to the evening shift and establishing lead positions to manage custodians, these costs could be offset by an estimated $118,000 in salary savings by reducing 2.0 full time equivalent recreation director positions as recommended in Section 1 of this management audit report. The Budget Analyst estimates that assigning thirty custodians to the evening shift and paying an 8 percent shift differential, plus assigning eight custodians to lead worker duty, and paying a $5.00 per day differential, will cost approximately $115,000 annually.

3. Managing Productivity, Performance, and Morale

- **The Recreation and Park Department has made accountability based on performance standards and staff development key components of the Department's strategic plan.**

- **The major barrier to the Department's job performance is the high absentee and injury rate, especially among gardeners. In FY 2004-2005, gardeners on Worker's Compensation or sick leave totaled 16.3 full time positions, or 7.6 percent of the 215 gardener positions. Department employees in general on Worker's Compensation or sick leave in FY 2004-2005 totaled 44.39 full time positions, or 4.9 percent of the 900 full time positions.**

- **The cost to the Department in lost work days due to Worker's Compensation or extended sick leave are high. The Budget Analyst estimates that salary and mandatory fringe benefit costs for 44.3 full time positions lost to Worker's Compensation or sick leave each year are approximately $2.6 million. Reducing these lost work days by 25 percent would increase the Department's productivity, an opportunity cost savings of approximately $650,000 annually.**

- **The Department only began to require performance evaluations of Department employees in FY 2004-2005 and still has not developed a formal written policy. The Budget Analyst found that employee performance varied widely across the Department and that managers need to improve the quality and consistency of performance goals to ensure that the public receives quality service.**

- **The Recreation and Park Department also needs to improve access to training opportunities; in FY 2003-2004, only 10 percent of Department employees attended Department or outside training programs and although the Department did not track training in FY 2004-2005, in the first quarter of FY 2005-2006, only 7 percent of Department employees attended training programs. The Department especially needs to provide job skills training and develop opportunities for recreation, gardener, and custodian staff to ensure that these employees are able to provide the best possible service.**

- **Strong employee performance and accountability and good public service depend on the Department staff's morale and perception of their jobs. In interviews and focus groups, the Budget Analyst found significant need for improvement, especially in communication among executive managers, supervisors, and front line staff, and the need for front line staff to be better integrated into developing and planning the work program.**

Productivity, Performance and Morale in the Recreation and Park Department

The Recreation and Park Department's Strategic Plan, completed in December 2002, identifies organizational excellence as a key component in moving the organization forward. According to the Strategic Plan, organizational excellence includes:

- Creating an organizational structure that will meet the Department's goals and accommodate community needs.
- Developing a Department-wide accountability program for all employees based on measurable performance standards.
- Providing training and development opportunities for staff to allow them to refine and develop their job skills and better meet the needs of the community.
- Determining and maintaining adequate staff to perform Department functions and meet customer needs.

Recreation and Park Department managers and staff define poor staff morale as a key issue for the Department. In the five-year Operations Plan, published by the Department in 2004, the Department stated its goal to develop an accountability program based on measurable performance standards with a strategy to develop incentive programs that improve morale and reward individual and group contributions to the Department. The components of this plan include:

- Creating recognition programs for outstanding service and performance.
- Improving morale and creating Department-wide sense of team spirit and team work.
- Educating San Francisco residents about the significant contributions of Recreation and Park Department staff to the City's quality of life, and promoting public awareness about the Recreation and Park Department's areas of jurisdiction, examples of excellence, and breadth of programming.

The 2004 Operation Plan also addressed issues of staff training and development, with the goal to provide training and development opportunities to Department staff.

The Department's Management of Performance

The Recreation and Park Department has several avenues to better manage performance, including:

- Promoting a safe work environment to reduce the incidence of workplace illness and injury.
- Managing sick leave and attendance to improve job performance and productivity.
- Implementing performance evaluations for all employees that effectively monitor and evaluate employee performance.
- Providing opportunities for employee training and development.

Although the Department has programs or procedures to manage performance, including attendance, the Department needs to improve its management of employee performance.

Reduced Productivity from High Incidences of Workers Compensation, Personal, Family Medical and Sick Leave

The Department has significant lost work time due to work related injury and illness, personal or family leave, and sick leave, contributing to reduced productivity and understaffing. According to the FY 2005-2006 Efficiency Plan, 32 of the 220 gardeners, or 14.5 percent, were on workers compensation or some other type of extended leave, in September 2005.[1]

As noted in Table 3.1, in FY 2004-2005 gardener leave time, including worker's compensation, personal, sick, and family medical leave, equaled 16.29 positions, or 7.6 percent of 215 filled gardener positions.[2]

---

[1] Eight of the 32 gardeners who were on extended leave in September of 2005 were on worker's compensation leave.

[2] The management audit reviewed all leave commencing in July of 2003 through October of 2005.

Table 3.1

Number of Recreation and Park Department Employees on Worker's Compensation, Personal, Sick, or Family Medical Leave, Total Number of Days on Leave, and Number of Full Time Positions Represented by the Number of Days on Leave,

FY 2004-2005

	FY 2004-2005		
	Number of Employees on Leave	Total Days on Leave	Number of Full Time Positions Represented by Total Days on Leave
Gardeners			
Worker's Compensation	10	1,859	5.09
Personal, Sick Leave, and Family Medical Leave [1]	42	4,087	11.20
Total Gardeners Leave	52	5,946	16.29
Actual Filled Gardener Positions			215
Percent of Gardeners on Leave Compared to Actual Filled Positions			7.6%
Custodians			
Worker's Compensation	1	45	0.12
Personal, Sick Leave, and Family Medical Leave [1]	7	405	1.11
Total Custodians	8	450	1.23
Actual Filled Custodian Positions			59
Percent of Gardeners on Leave Compared to Actual Filled Positions			2.1%
All Other Classifications			
Worker's Compensation	12	1,487	4.07
Personal, Sick Leave, and Family Medical Leave [1]	94	8,282	22.69
Total All Other Classifications	106	9,769	26.76
Actual Filled Positions in Other Classes			626
Percent of Gardeners on Leave Compared to Actual Filled Positions			4.3%

Source: Recreation and Park Department

[1] The portion of employees and associated days on leave due to Worker's Compensation claims may be greater than represented in Table 3.1 because the Recreation and Park Department has coded some employees who are on leave due to Worker's Compensation claims as "Family Medical Leave" rather than "Worker's Compensation Leave" although the *total* number of employees on leave and the *total* days on leave is unchanged,.

Managing and Reducing Lost Work Time due to Work Related Injury or Illness

The Recreation and Park Department has included the need for improved safety awareness and precautions to reduce personal injury and the loss of work due to preventable injury in the FY 2005-2006 Efficiency Plan. Reducing work related injury and illness is one of the Department's performance measures. The Department reports year on year reductions in new injuries: a 10 percent reduction in FY 2003-2004, and a 33 percent reduction in FY 2004-2005. The target for reduction in new injuries in FY 2005-2006 is 28 percent.

The Department's expenditures for Worker's Compensation claims has increased in FY 2003-2004 through FY 2005-2006 at an average annual growth rate of 7.9 percent. The increase in budgeted expenditures in FY 2005-2006 compared to actual expenditures in FY 2004-2005 results from increases in Worker's Compensation reimbursements and the inclusion of administrative costs.

Table 3.2

Increase in the Recreation and Park Department's Expenditures for Worker's Compensation Claims

FY 2003-2004 through FY 2004-2005

	FY 2003-2004 Actual Expenditures	FY 2004-2005 Actual Expenditures	FY 2005-2006 Budgeted Expenditures	Average Annual Growth in Expenditures
Worker's Compensation Claims Costs	$2,763,000	$2,547,000	$3,218,570	7.9%

Source: Recreation and Park Department

The Department has several avenues to reduce Worker's Compensation claims and control costs. The most effective avenue to reducing Worker's Compensation claims is to prevent injury in the first place. Additionally, the Recreation and Park Department can control costs through temporary transitional work programs and better claims management.

Claims Management

An employee's Worker's Compensation rights are determined by State law. The State of California implemented workers' compensation reforms in April of 2004 that included a two-year cap on temporary disability payments for most types of injuries, incentives for workers to return to work, and stricter guidelines for determining permanent disability.

These reforms were accompanied by annual increases in temporary disability and permanent total disability benefit payments in 2003 through 2005. These changes in the State law are expected to contain growth in Worker's Compensation costs.

Reporting and Communications

Although the City's Department of Human Resources manages Worker's Compensation claims for all City departments, the Recreation and Park Department can work with the Department of Human Resources to better manage Worker's Compensation claims. The Recreation and Park Department Environment, Health and Safety manager proposed a performance agreement with the Department of Human Resources Worker's Compensation Division which included procedures for regular communication and reporting. Currently, the Environment, Health and Safety Manager receives quarterly invoices for claims billing and weekly copies of letters sent to employees with claims. Additionally, the Environment, Health and Safety Manager meets quarterly with the Worker's Compensation Division claims staff and speaks daily with the staff as needed.

Plans of Action

According to the Environment, Health and Safety Manager, each open Worker's Compensation claim should have a plan of action, which sets a forward-looking plan for the claimant, including treatment and return to work plans. The Department of Human Resources has not consistently completed action plans for Recreation and Park Department claimants. According to the Environment, Health and Safety Manager, the Department of Human Resources Worker's Compensation Division had completed 6 percent of the action plans in June 2005, 22 percent in July 2005, and 12 percent in August 2005. The Department of Human Resources Worker's Compensation Division recently hired a new director, and the Recreation and Park Department Environment, Health and Safety Manager expects continued improvement in this area.

Temporary Transitional Work Programs

The Recreation and Park Department has a modified duty program, or "Temporary Transitional Work Program," that allows employees to return to work in a limited capacity. According the Environment, Health and Safety Manager, the Recreation and Park Department's program in similar to programs established by other City departments. Employees can work in a temporary transitional work assignment for 90 days if their injury is improving or at least maintaining. At 90 days, the Environment, Health and Safety Manager reviews the employee's condition more closely to ensure that the employee is progressing toward the goal of returning to work in full capacity.

As shown in Table 3.3, in FY 2004-2005 the number of work days that were available for modified duty assignments were 3,848, or approximately 14.7 full time equivalent positions. The Environment, Health and Safety Manager reports that a preliminary count of temporary transitional work assigned days in FY 2004-2005 is 1,834, or 47.8 percent of available days.

Table 3.3

Number of Temporary Transitional Work Program Days Available and Assigned, FY 2002-2003 to FY 2004-2005

	FY 2002-2003	FY 2003-2004	FY 2004-2005
Available Days	3,558	3,309	3,848
Full Time Equivalent Positions Equal to Available Days	13.6	12.7	14.7
Assigned Days	2,781	2,136	1,834
Full Time Equivalent Positions Equal to Assigned Days	10.7	8.2	7.0
Percent of Available Days that are Assigned	78.2%	64.6%	47.8%

Source: Recreation and Park Department

The Recreation and Park Department has not fully utilized the number of available days for temporary transitional work assignments. Under the current procedure, the employee's supervisor initiates the temporary transitional work assignment when the employee submits a medical release from his or her health care provider, reporting the employee's work restrictions. The supervisor then determines if a temporary transitional work assignment can be provided within the supervisor's unit. If a temporary transitional work assignment is not available in the supervisor's unit, the supervisor is supposed to ask his or her manager about the availability of temporary transitional work assignments elsewhere in the division or Department.

The Recreation and Park Department General Manager needs to ensure that temporary transitional work opportunities are fully utilized not only for employees with work related injuries but for all employees on extended sick leave who are eligible. Although the Department does not track whether employees working in temporary transitional work assignments are on Worker's Compensation or some other type of leave, the Environment, Health and Safety Manager states that only two to three employees with non-work related illnesses or injuries participate in temporary transitional work assignments.

Under the current protocol, individual supervisors are responsible for providing temporary transitional work assignments for employees able to work with medical restrictions, and if such work is not available in the immediate unit, report up the chain of command to find temporary transitional work assignments elsewhere in the Department. The General Manager should assign the Director of Operations and the Director of Administration and Finance, and other senior managers, with responsibility for monitoring and tracking employees on Worker's Compensation and other leaves who are able to return to work with medical restrictions and the availability of temporary transitional work assignments. The Human Resources Division Manager should coordinate centrally information on employees who are able to return to work with medical restrictions and the availability of temporary transitional work assignments. The Director of Operations and the Director of Administration and Finance, and other senior managers, should prepare and present a joint monthly report, coordinated by the Human

Resources Division Manager, to the General Manager, detailing (a) employees on Worker's Compensation or other extended leave, the type of leave, and the length of time on leave, or if the employee has combined several types of leave, the total length of time on leave, (b) employees able to return to work with medical restrictions, and (c) the availability and assignment of temporary transitional work.

Injury and Illness Prevention

The Recreation and Park Department has developed a "Supervisor's Safety Handbook" that defines the Environment, Health and Safety program and the Injury and Illness Prevention Program, establishes health and safety goals, and sets out the Department's policies and procedures. The Supervisor's Safety Handbook sets the Department's requirements for safety awareness meetings and mandatory safety-related training. Each discipline within the Department has a matrix of safety awareness meetings for be completed in a given order. For example, gardeners and landscaping employees must attend ten safety awareness meetings, which include walking and working surfaces, automobile use, emergency action plans, injury and illness reporting, brush removal, garbage handling, and shoveling and digging.

Attendance at the safety awareness meeting is one of the Department's performance goals and included in employee's performance evaluations. All employees, supervisors, and managers are required to attend 70 percent of safety awareness meetings in order to receive a "met objective" performance rating and 100 percent to receive an "exceeded objective" performance rating.

Because lost work days due to work related injuries represents significant lost productivity to the Department, the General Manager needs to insure that work place safety and injury and illness prevention are a priority for all employees. The General Manager should assign the Director of Operations, the Director of Administration and Finance the Director of the Capital Program, and Director of Partnerships and Property with responsibility for monitoring and tracking employees' and supervisors' safety awareness meeting attendance. The Human Resources Division Manager should coordinate centrally performance evaluation data on safety awareness meeting attendance to assist the respective division directors monitoring and tracking attendance.

The Recreation and Park Department should consider further steps in setting safety awareness and injury and illness prevention as a priority, including (a) increasing the percent of safety awareness meeting attendance necessary to receive a "met objective" performance rating, and (b) include other safety prevention protocols in the annual performance evaluation goals and objectives, such as periodic safety inspections, on-time accident reporting, timely provision of medical slips, and days to complete corrective actions.

Managing the High Incidence of Lost Work Time due to Sick Leave, Family Medical Leave, and Personal Leave

The Recreation and Park Department's polices on leaves of absence, sick leave with or without pay, family medical leave, and personal leave correspond to the City's policies overall. Although the Recreation and Park Department Human Resources Division reviews sick leave requests on a case by case basis and requires authorization by a health care provider before the leave is approved, the incidence of extended sick leave continues to be high, cutting into Department productivity. The Department has an interest in providing sufficient flexibility in its sick leave policy to ensure that employees can return to work when fully able, but needs to ensure that employees return to work at the earliest opportunity.

The Department needs to review its practices in monitoring extended leaves, and senior managers need to work with the Human Resources Division to evaluate extended leave requests and determine if the leave time can be shortened or if the individual employee will be able to return to work in full capacity. The Department should return employees on extended sick leave to temporary transitional assignments whenever possible or work with the employee to find alternative placement if the employee cannot return to his or her permanent position, as discussed below.

During the course of the management audit, the Budget Analyst identified three instances in which a request for sick leave or a claim for Worker's Compensation leave was closely associated with a disciplinary action. In such cases the Department needs to work with the City Attorney to determine if the requested leave is legitimate sick leave under City policy, if discipline problems can be resolved in a timely manner and the individual should return to work, or if more progressive discipline should follow, including termination.

Americans with Disability Act Accommodations

The Recreation and Park Department's policy is to notify employees who have been on leave for six months or more of the employee's options to seek alternative work assignment under the Americans with Disability Act. The Department also sends Americans with Disability Act information to employees who are on Worker's Compensation Leave and have been determined by their medical provider to have reached maximum medical improvement and are therefore unable to return to their position in full capacity.

Under City policy, the employee is responsible for notifying the Department if the employee needs accommodation to return to work. Nothing in City policy requires the employee to request such accommodation. According to the Human Resources Division staff, the Department does assist an employee requesting accommodation within the employee's work unit first, then within the Department, and finally in other City departments. Employees can be placed in other classifications if they meet the qualifications of the class and the pay rate is within 5 percent of their current pay rate.

In FY 2004-2005, the Recreation and Park Department mailed 16 letters to employees, notifying them of their eligibility for American with Disabilities Act accommodations, and received nine requests for accommodation. Four employees were able to return to their position with accommodations, three employees were determined ineligible for placement, one employee retired, and one employee is currently seeking medical separation.

Implementing Performance Evaluations

Although the Recreation and Park Department has had a long standing policy to conduct employee performance evaluations, referenced in the Employee Handbook provided to all newly-hired employees, the Recreation and Park Department does not, in fact, have a formal written policy regarding performance evaluations. Prior to FY 2004-2005, Recreation and Park Department managers and supervisors did not formally evaluate employee performance. The Recreation and Park Department implemented a six-month pilot program in July of 2004 for managers and supervisors to write performance evaluations for all employees. Since the inception of the pilot program in July of 2004, 724 of the 948 eligible employees, or 76 percent, have received performance evaluations, although 89 of those evaluations were after the end of the six-month pilot period in January of 2005.

Supervisor and Employee Participation in the Performance Evaluation Process

Human Resources Division staff conducted a one-day training for supervisors and managers and have made available follow-up training on evaluating employee performance and writing performance evaluations. The Human Resources Division staff also have procedures to remind supervisors and managers when employee performance evaluations are due or have not been completed on time.

Although the Department is monitoring whether performance evaluations are completed, the Department has not set up a process to evaluate the quality or effectiveness of performance evaluations. During interviews with Department supervisors and focus groups with Department employees, the management audit found need for improvements in the performance evaluation process. Most supervisors thought that the performance evaluations could be a valuable tool if done correctly, but employees were less certain that performance evaluations were helpful.

According to some Department managers, the performance evaluations are a necessary vehicle to address the problem of unequal performance among Department staff. However, the Department has not ensured that all performance evaluations are completed in a timely manner or that the performance goals are consistent and appropriate to the job.

Timeliness of Performance Evaluations

The management audit team interviewed quadrant and other program managers and rode along with six randomly-selected supervisors. The management audit found that supervisors had difficulty completing employee performance evaluations on time. Even supervisors who had completed employee performance evaluations during the pilot project did not necessarily complete the mid-year employee performance evaluations and were not certain that they would complete the annual 2005 employee performance evaluations prior to the January 2006 deadline.

The Department needs to evaluate supervisors' management of time and ability to complete the performance evaluation for all employees. Although some supervisors may have been unable to complete performance evaluations on time for all employees due to staffing levels, other supervisors may have difficulty managing their time and scheduling performance evaluations for all employees.

Consistent and Appropriate Performance goals

The Department needs to assess weaknesses in setting and evaluating performance goals and to establish guidelines for the types of goals to be included in the performance evaluations, to ensure that performance evaluations address consistent and effective standards. Both supervisors and employees identified a need for consistent performance standards for all employees. Supervisors stated that, while some employees responded well to the performance evaluation process and set appropriate goals identifying what the employee was trying to achieve, other employees did not understand the process well or set goals that were too low or too easy to achieve. Additionally, employees found that the quality of performance reviews and support varied widely from supervisor to supervisor.

The pilot program to implement performance evaluations was initiated more than 18 months ago and therefore, the Recreation and Park Department General Manager should complete an assessment of the performance evaluation process and approve a formal policy.

Providing for Staff Training and Development

The Recreation and Park Department's Strategic Plan calls for training and development opportunities for staff, which include providing access to job and task specific training opportunities and creating standards for professional preparation and continuous learning. As part of the strategic planning process, the Recreation and Park Department has developed action plans to implement the strategic plan. The action plan calls for:

- Establishing a training development committee.
- Writing a training plan based on a needs assessment.
- Writing and implementing a training information communications plan.
- Performing training on various subjects.

According to the Manager, Environment, Health and Safety, the training development committee has been integrated into a more general Health and Safety program advisory committee, which meets quarterly and includes staff from different disciplines within the

Department. The Department has recently completed a development and training needs assessment for supervisors that will be used as the basis for the FY 2005-2006 training plan.

The Environment, Health and Safety Unit staff implemented the training information communications plan through distribution of the "Recreation and Park University" course catalog, which lists training and education programs provided by the Recreation and Park Department or other City Departments, by posting on the Department's web site, emailing copies quarterly, and sending out hard copies two times per year. In addition, the Environment, Health and Safety Unit staff identify specialized training provided by outside agencies, such as earthquake preparedness training.

During the management audit interviews and focus groups, Department managers, supervisors, and employees identified the need for more training and development of Department staff. Several managers or supervisors noted that performance among staff was uneven, which could in part be addressed by training and development programs. Both recreation supervisors and park section supervisors stated that newly-hired recreation and gardener staff did not always have needed skills. Also, non-custodian supervisors and custodial staff need better training in custodial practices.

The budget for training and development decreased by $88,353, or 46 percent, from $191,980 in FY 2004-2005 to $103,627 in FY 2005-2006. Because of the reduced budget, the Department is offering fewer recreation and gardening skill development courses.

Only a small number of Department employees attend training sessions. In FY 2003-2004, the Department's performance measures show that 10 percent of Department employees attended in-house and outside courses.[3] The Department did not track the number of employees attending training sessions in FY 2004-2005 but in the first quarter of FY 2005-2006, 7 percent of Department employees attended training sessions.

The Human Resources Division needs to develop the training information communications plan to ensure that employees throughout the Department are aware of, and have access to, the Department's training program to ensure broader participation than currently exists.

Job Skills Training for Recreation, Gardener and Custodial Staff

As noted above, skills-based training programs for gardeners and recreation staff were reduced in the FY 2005-2006 budget. Interviews with Department staff show a need for job skill training from recreation, gardener, and custodial staff. Department employees can receive tuition reimbursement of $500 per employee per year through the City's memoranda of understanding with the employees' unions. Because managers, supervisors, and employees have all identified skills development for recreation and gardening staff as a major issue, the Department needs to work with recreation and gardener staff to increase employee participation in training programs.

---

[3] This number does not include safety and awareness training requirements.

The Recreation and Park Department has recently hired two new managers to oversee the Neighborhood and Citywide Services Divisions. Additionally, the Department is hiring five additional Neighborhood Services Managers in addition to the three existing Neighborhood Services Managers, totaling eight management staff. These new management staff need to establish training and skills development as a priority.

The Recreation and Park Department needs to develop a formal training plan for recreation, gardener, and custodial staff. The proposed formal training plan should include a mentoring system to allow more experienced staff to assist the training of newly-hired or less skilled staff. Additionally, the Department needs to establish formal channels for employees to attend classes through the San Francisco Community College system, including horticulture and recreation classes, and to develop protocols for receiving tuition reimbursement for attending classes.

Training in Custodial Practices

During supervisor, manager, and employee interviews, the management audit found that non-custodial supervisors of custodian staff did not possess the necessary knowledge and skills to support custodial staff in best practices. In Section 2 of this management audit report, the Budget Analyst recommends that the Department reorganize management oversight of custodial staff, resulting in custodian teams reporting to the Neighborhood Services Managers. The Department needs to develop custodial service protocols, based on best practices, and develop best practice and management training for the Neighborhood Services Managers and the assistant custodian supervisors. The Department also needs to develop job specific training programs for custodians. Training funds are not currently allocated to custodial training.

Impact of Communication and Community Relations on Morale

Communication and Staff Morale

The Department lacks appropriate internal communication channels, particularly channels that transmit information from the General Manager and other high level management to front-line staff. Staff member report not learning in a timely manner, if at all, about new policies and procedures, management updates, the hiring of new staff, facility openings and closures, and large events sponsored by the Department. One gardener reported that he did not learn about the appointment of the permanent General Manager in July of 2005 until several months had elapsed.

Because both the Department's management structure and physical nature are highly decentralized, with facilities spread throughout the City, most front-line staff never have reason to go to the Department's administrative offices at McLaren Lodge. Also, because (a) the Department has significant technological limitations, and (b) many staff work outdoors or in remote facilities and do not have regular access to computers, much less voicemail, it is not practical for these staff to receive their Department information via email.

Currently, the only consistently reliable information pathway for all Department staff is through the memos that are attached to paychecks. However, some staff, especially those in mobile crews or at remote locations, report that they sometimes do not receive their paycheck memos on a regular basis. Consequently, these staff may be reading outdated information in their paycheck memos. Further, even when timely, staff members report that the information presented in paycheck memos is frequently of little value to them.

Some staff can rely on their immediate supervisors for information, but this reliance depends on the regularity in which staff members meet with their supervisors, the quality of information the supervisors themselves have access to, and the quality of information that supervisors convey to their staff. Because not all supervisors hold regular meetings, the existence and frequency of interactions with supervisors varies throughout the Department. Those front-line staff who do attend regular meetings with their supervisors and peers, particularly on a division or quadrant level, appreciate the opportunity to interact with others and receive updates on a regular basis. All staff, when questioned in focus groups, expressed a strong interest in having more regular meetings. The General Manager should, therefore, require that all supervisors hold regular meetings with staff, meetings that should be supplemented with periodic larger or department-wide meetings. These regular meetings need to address staff desires in particular for information related to promotional opportunities, changes in Department policies and procedures, upcoming events, and upcoming permits and reservations scheduled for their work locations.

Front-line staff members often receive their information about the Department from a variety of informal sources. Examples commonly cited include word-of-mouth from fellow staff, rumor from community members, and local media. One staff member working in Golden Gate Park reported receiving updates about Harding and Fleming Golf Courses' renovation and the PGA Tour, Inc. tournament by reading the local newspaper. These informal communication pathways pose a significant danger in that the information being conveyed may not be accurate.

The failure of the Department to facilitate internal communication causes the Department to operate less efficiently. For example, if a gardener is not told by Citywide Services' recreation programs or the Permits and Reservations Unit that there is going to be a large athletic event on a field in his/her beat, the gardener cannot plan the field's watering schedule accordingly, so that the field is not too wet when the meet takes place. Such a communication failure could potentially result in the need to restore or re-seed the field's damaged turf.

In addition to the Department operating less efficiently, communication failures are contributing significantly to the staff morale problem. There is a significant cultural disconnect between the front-line staff and the administrative staff at McLaren Lodge. The spatial breadth of the Department's operations and the lack of consistent channels of communication fuel a sense among front-line staff that the administrative staff do not understand what is going on "in the field."

Staff members frequently report that they choose not to communicate their concerns and ideas to their immediate supervisors because it is not a worthwhile undertaking. According to one gardener, because there is little encouragement to share ideas with management, “Nobody tries anymore. Nothing makes a difference.” Some staff feel that supervisors do not communicate their concerns upwards because there is a culture to “take care of it.” This approach, in turn, contributes to upper management not understanding the needs and concerns of front-line staff.

The Department should establish task groups that work on specific problems identified by front-line staff. The task groups should develop recommendations and implementation plans and include a reporting mechanism. For example, there should be task groups to review and evaluate options for radios/phones in the field and review problems in cash and revenue handling in recreation facilities. Additionally, the eight new Neighborhood Services Managers should work with supervisors to ensure they are including employees in work planning and problem solving processes.

Department staff are interested in finding out the ideas and direction of the new administration, but many report not having met the General Manager or the new Director of Operations. In focus groups and interviews, Department staff said that this lack of contact with senior managers suggests that front line staff are not as central to the Department’s success as administrative staff. The General Manager should ensure that he and senior level staff have the opportunity to meet and interact with all Department staff, and vice versa. This may be via hosting annual or semi-annual Department-wide meetings or by attending smaller quadrant or section-level meetings on a rotating basis.

Conclusions

Although the Recreation and Park Department has implemented policies and procedures to improve staff performance in the past two years and has developed consistent procedures to promote health and safety, staff morale remains low and lost work days due to Worker’s Compensation or extended leaves remains high. The Department needs to review and improve its performance evaluation and extended leave procedures to improve performance evaluation effectiveness and productivity. The Department also needs to improve communication between line employees and managers and among the various sections of the Department to keep employees better informed and provide a sense of integration and involvement in the Department as a whole. The Department also needs to support staff in their intersection with the community.

Recommendations

The Recreation and Park Department General Manager should:

3.1 Complete an assessment of the performance evaluation process and approve a formal performance evaluation policy.

3.2 Direct the Director of Operations and the Director of Administration and Finance to submit joint quarterly reports to the General Manager that track in detail: (a) employees on Worker's Compensation or other extended leave, the type of leave, and the length of time on leave, or if the employee has combined several types of leave, the total length of time on leave, (b) employees able to return to work with medical restrictions, (c) employees on Worker's Compensation and other leaves who are eligible for, been notified of, and have accepted temporary transitional work assignments, and (d) employees on Worker's Compensation and other leaves who are eligible for, been notified of, and have requested Americans with Disabilities Act accommodations, and the status of those accommodations.

3.3 Assign the Director of Operations, the Director of Administration and Finance, the Director of the Capital Program, and the Director of Partnerships and Property with responsibility for monitoring and tracking employees' and supervisors' safety awareness meeting attendance, in coordination with the Human Resources Division Manager.

3.4 Consider further steps in setting safety awareness and injury and illness prevention as a priority, including (a) increasing the percent of safety awareness meeting attendance necessary to receive a "met objective" performance rating, and (b) include other safety prevention protocols in the annual performance evaluation goals and objectives, such as periodic safety inspections, on-time accident reporting, timely provision of medical slips, and days to complete corrective actions.

3.5 Establish policies governing staff meetings, which include (a) requirements for regular staff meetings between supervisors and line staff, staff meeting topics, including information on promotional opportunities, changes in Department policies and procedures, upcoming events and upcoming permits and reservations scheduled at the work locations, and (b) schedules for periodic division-wide and Department-wide staff meetings.

3.6 Establish opportunities for Department staff to meet with the General Manager and senior level managers, including setting up annual or semi-annual Department-wide staff meetings and attending smaller quadrant or section-level meetings on a rotating basis.

The Human Resources Division Manager should:

3.7 Evaluate supervisors' management of time and ability to complete the performance evaluation for all employees for those supervisors who do not meet their performance goals and develop time management protocols for Department managers and supervisors as appropriate.

3.8 Assess weaknesses in setting and evaluating performance goals and establish guidelines for the types of goals to be included in the performance evaluations, to ensure that performance evaluations address consistent and effective standards.

3.9 Work in coordination with the Director of Operations and the Neighborhood and Citywide Services Managers to develop protocols and communication channels to increase recreation and gardener staff participation in training programs.

3.10 Work with the Department of Human Resources Worker's Compensation Division Director to develop a regular reporting schedule, including (a) identifying the types of reports, and (b) the schedule for receiving the reports.

3.11 Develop protocols to identify and notify employees on extended leave who are eligible for temporary transitional work of available work.

3.12 Review and evaluate existing protocols to monitor employees who are absent from work on extended sick or other types of leave to identify improvements in procedures to return employees to work through temporary transitional work assignments or American with Disabilities Act accommodations.

3.13 Work with the Department's senior managers to evaluate extended leave requests and determine if the leave time can be shortened or if the individual employee will be able to return to work in full capacity.

3.14 Work with the City Attorney's Office in the instance that requested sick leave corresponds to disciplinary action to determine if the requested leave is legitimate sick leave under City policy, if discipline problems can be resolved in a timely manner and the individual should return to work, or if more progressive discipline should follow, including termination.

The Director of Operations should:

3.15 Direct the Neighborhood and Citywide Services Managers to establish training and skills development as a priority.

3.16 Direct the Neighborhood and Citywide Services Managers to develop a formal training plan for recreation, gardener, and custodial staff, which includes a mentoring system to allow more experienced staff to assist the training of newly-hired or less skilled staff.

3.17 Direct the Neighborhood and Citywide Services Managers to work with the Human Resources Division Manager to establish formal channels for employees to attend classes through the San Francisco Community College system, including horticulture and recreation classes, and to develop protocols for receiving tuition reimbursement for attending classes.

3.18 Direct the Neighborhood and Citywide Services Managers to develop custodial service protocols based on best practices.

3.19 Direct the Neighborhood and Citywide Services Managers to develop best practice and management training for the Neighborhood Services Directors and the assistant custodian supervisors, and job specific training programs for custodians.

3.20 Direct the Neighborhood and Citywide Services Managers to implement task groups, which include front line staff, to work on specific problems, such as radio and phone availability in the field or cash and revenue handling at recreation facilities, and which develop recommendations, implementation plans, and a reporting mechanism.

3.21 Develop protocols to ensure supervisors are including employees in work planning and problem solving processes.

Costs and Benefits

The costs to the Department in lost work days due to Worker's Compensation or extended sick leave are high. The Budget Analyst estimates that salary and mandatory fringe benefit costs for 44.3 full time equivalent positions that are lost annually to Worker's Compensation or extended sick leave are $2.6 million per year. Reducing these lost work days by quarter would increase the Department's productivity, an opportunity cost savings of approximately $650,000 annually.

4. Community Participation and Resource Planning

- **The Recreation and Park Department is one of the most publicly visible departments in the City and County of San Francisco. However, the Department does not adequately solicit or incorporate public input, demographic information, or other relevant community factors into its programming and service decisions. Rather, the Department makes its programmatic and service planning decisions informally, at a recreation center-level, and based on historical offerings and staff interest. Consequently, the Department has not kept pace with changing demand for recreation and park facilities, such as the increased demand for fitness facilities and adventure sports.**

- **The Department's attendance data collection methods are inefficient and the integrity of the data is compromised. The data the Department does collect are not used to influence resource planning decisions.**

- **The Department does not require minimum standards of program quality or establish program goals and outcomes. The identification of program goals and outcomes and the evaluation of programs, if done at all, are left to the discretion of individual recreation staff. The quality of programs is, therefore, largely unknown, highly variable, and primarily dependent on the abilities and resources of recreation staff managing them. Therefore, the Department is not able to assess community reaction to specific programs and to measure the occurrence of desired outcomes.**

- **The Department does not adequately advertise its facilities, programs, and services. The Department needs to provide its staff with the tools, training and support to perform better community outreach.**

- **The Department interacts with a diverse array of community stakeholders, including individual volunteers, other public agencies, foundations, and neighborhood groups that advocate on behalf of issues, facilities, and programs. However, the Department neither has an understanding of the scope of the partnerships in which it is engaged nor appropriate policies and procedures in place to govern its work with these stakeholders.**

- **The Department is increasingly working with volunteers in its parks and facilities. However, the Department, despite attempts, has not instituted a formal volunteer policy.**

Community Participation in Recreation Planning

The Recreation and Park Department is one of the most publicly visible departments in the City and County of San Francisco. The Department's central role is the provision of services and facilities to the public. Department staff are located in all City neighborhoods, and they interact daily with San Francisco residents by providing them with recreation opportunities and open space. Hence, the Department has a considerable responsibility to respond to the needs of its users and provide them with the types of services they desire.

The Department does not adequately solicit or incorporate public input, demographic information, or other relevant community factors into its programming and service decisions. Rather, the Department makes its programmatic and service planning decisions informally, at a recreation center-level, and based on historical offerings and staff interest.

Decentralized and Informal Resource Provision Decisions

Decisions regarding the type, number, and quality of programs offered at recreation centers are made at the level of the recreation center. Front-line recreation staff are encouraged to generate their own program ideas and develop implementation plans for their own programs. Programming decisions are frequently passive, in that recreation staff tend to offer what has been offered historically at their centers.

Programming decisions are also strongly driven by recreation staff interest. Current recreation programs range from the traditional, such as basketball and arts and crafts, to the non-traditional, such as sewing, senior karaoke, youth cooking, and percussion classes. Although the opportunity to participate in one of these non-traditional recreation programs is a benefit, and the variety of programs provides more breadth to the Department's programmatic offerings, the Department needs to develop methods to ensure that the programs it offers are appropriate for the community.

Insufficient Solicitation of Community Input

The Department does not have policies or procedures requiring recreation staff to solicit community input regarding what recreation programs should be offered. Recreation center staff frequently report that that they do, in fact, gauge community interest, but they do so through unstructured, informal interactions with users and community members. This method can have positive outcomes, especially if the recreation staff are proactive in engaging with the community and, more importantly, are willing to be responsive to the information generated. Positive outcomes may include the generation of innovative programming ideas and the fostering of higher morale among recreation staff because they have been entrusted with greater stewardship over programming decisions and the community's needs.

But although positive, the generation and incorporation of informal community input into recreation decisions is not required by the Department and, therefore, not documented, quantified, or compiled centrally. Not all recreation staff may be actively engaging in dialogues with the community regarding programming decisions, and it is unclear how many recreation centers actually have attempted to solicit and include community input into programming decisions. Further, some recreation staff may be unwilling to suspend historically-offered programs or personally preferred programs that are no longer desired by the community, or to attempt the introduction of new programs that are in strong demand.

Insufficient Use of Demographic and Recreation Trends

Twenty percent of responding households in a citywide survey performed for the Department's 2004 *Recreation Assessment Report* stated that a "lack of quality programs that meet my needs" prevented them and members of their households from participating in recreation programs more often. The Department does not formally analyze important factors related to community in its programming decisions, including neighborhood and citywide demographics, what programs and services are offered by other providers in the area, and historical recreation trends. As a result, the Department does not understand the full picture of the community demand for recreation programming.

Interviews with staff indicated that the Department has been non-responsive to two recent recreation trends in particular – the increased demand for fitness facilities and for adventure sports, such as rock climbing, skateboarding, cycling, hiking, and kayaking. The 2004 *Recreation Assessment Report* indicated that indoor exercise and fitness facilities were among of the highest priorities of respondents, together representing the third most important type of recreation facility to respondents. (The first and second were walking/biking trails and pools.) Currently, nine of the Department's 74 recreation facilities offer weightlifting and 18 offer "aerobics/exercise" opportunities. The Department has one skateboard park in operation at Crocker Amazon Playground, and one in the design phase. According to the recreation programming guide for September 2005 through April 2006, there are no adventure sport recreation programs or opportunities currently offered by the Department. The Director of Operations should develop a plan specifically to address these well-documented national trends and provide more fitness and adventure sport opportunities.

Because recreation center staff are best poised to understand their community recreation needs, responsibility for programming decisions should remain at the recreation center level, but the Department should implement policies and procedures that ensure that a minimum level of community input is incorporated. The General Manager should direct the Director of Operations to work with Neighborhood and Citywide Services Managers to research, develop and implement protocols based on best practices for the solicitation and inclusion of community input. Appropriate protocols may include regular focus groups, district-level community meetings, and suggestions boxes at recreation facilities.

Because the Neighborhood Services Division has a new organization structure based on eight neighborhood districts, the managers of these districts should be responsible for ensuring protocol compliance, for example by including community outreach and input goals in their employee performance plans and evaluations, as is currently done by one quadrant supervisor. The protocols should also incorporate feedback reporting mechanisms so the Director of Operations and the new Neighborhood and Citywide Services superintendents can accurately quantify and describe the community outreach and input taking place.

The Department's planning staff should assist by analyzing recreation programs offered in relation to external factors such as neighborhood and citywide demographics, what programs and services are being offered by other providers in the area, and historical recreation trends. Further, and as described in more detail below, the Department should ensure better collection and analysis of attendance data and the use of community surveys and program evaluations.

Attendance Data - Understanding the Department's Existing Users

The Department has a lack of reliable data concerning the participants in its programs and the informal users of its facilities (i.e., users not participating in a scheduled program). The Department currently requires that its recreation center staff fill out weekly attendance forms, which include tallies for attendance in formal and informal recreation activities, and the ages and genders of these attendees. In August of 2005, for example, the Department reported the attendance numbers shown below in Table 4.1.

Table 4.1

Reported Recreation Attendance Figures for August of 2005

Age Group	Program	Informal
Pre-School	4,501	59,053
Children	48,907	99,629
Teen	34,363	87,204
Adult	52,333	144,630
Seniors	19,422	51,313
TOTAL	**159,526**	**441,834**

Source: Recreation and Park Department Planning Division

Poor Data Quality and Collection Method

Interviews with recreation staff and their managers, however, suggest that these attendance forms are not practical. Many staff comment that the current method of attendance data collection requires a significant investment of time. The form asks staff to record attendance data in 13 categories of formal recreation programs for every day of the week, reported for each of five age categories. The form also asks for daily informal recreation numbers during five time brackets per day, reported using the same five age categories, in addition to dog walkers. Further, all of these reported attendees must be broken down by gender.

Consequently, there are 940 boxes to be filled out by each recreation facility every week. This poses a significant challenge to recreation staff, particularly those working alone or in smaller recreation facilities where staff must run programs, provide general supervision, and observe and record a considerable volume of user data.

The attendance data that are collected are of dubious quality, in part, because the forms are so daunting. Many staff reported that they do not actually take counts, but rather they fill in the attendance forms at the end of the week and guess at the numbers after the fact. Other staff mention that intentional inflation of attendance numbers may be taking place because staff wish to protect their jobs, make the case for more recreation staff, or prevent any further staffing reductions. Therefore, the Department should institute a method of checking the integrity of data, such as using anonymous "shoppers" who visit recreation centers to observe actual community use of facilities and programs.

Inadequate Reporting Compliance and Cultural Barriers to Data Collection

In addition to data collection and data integrity challenges, the Department has not been able to regularly achieve high attendance reporting compliance among recreation facilities. In September of 2005, for example, only 51 of 73 facilities, or 70 percent, submitted their attendance forms. This compliance problem is partially the result of the cumbersome process utilized to transmit attendance data from the recreation centers to McLaren Lodge, where a clerk enters the data from paper forms into an electronic database. Currently, recreation facility staff give their paper attendance forms to their supervisors, who in turn bring them by hand to McLaren Lodge, where the data are entered on a monthly basis. These facility data, in conjunction with attendance data collected by citywide recreation program staff, are then compiled for use in SFStat presentations and other reports.

This multi-step process is vulnerable to delays and bottlenecks. For example, if recreation center staff do not meet with their supervisors frequently, their attendance forms may not get to McLaren Lodge on a timely basis. Further, the forms are often submitted at the same time, creating a backlog at the data entry phase. These process difficulties could be solved, in part, if recreation centers had increased internet and intranet access and could directly enter their attendance data electronically. To partially address these delays and bottlenecks, the Department should institute more regular meetings with staff at a section or quadrant level, a recommendation which is further discussed in Section 3 of this report.

In addition to the cumbersome process of collecting and transmitting attendance data, the Department's decentralized organization structure contributes to incomplete attendance data. Decentralized facilities foster a culture of independence among staff, a culture that, although having many benefits, includes a reluctance to comply with policies and procedures of administrative staff who "don't ever get out in the field." In staff focus groups, front-line staff repeatedly commented about how the administrative staff understands very little about the work that the front-line staff does. Moreover, the cultural disconnect between the administrative and front-line components of the Department results in distrust among front-line staff that the attendance data will be put into use. Because they have not seen any changes resulting from data collected in the past, many front-line staff view the attendance data collection requirement as just another administrative hoop through which they are being asked to jump.

Attendance data is currently included as performance measures in Department reports and in SFStat presentations, but it is not clear if the attendance data is ever formally used to make programming and service provision decisions. For example, participation in senior recreation opportunities has decreased in some recreation centers but this decrease has not been followed by a reduction in the senior recreation programs offered. Therefore, after collecting and compiling attendance data, the Operations and Planning Divisions need to use this data to inform the program planning processes.

The Department should create stronger incentives for staff to submit attendance data, supplemented by disciplinary actions, if necessary. Further, the Department should make a strong case for the collection of data to staff, by creating and articulating a clear plan for how it will be used to make inform programming decisions in the future.

Forthcoming Data Collection Changes

The Department states that it is currently in the process of revising the attendance data collection form to be used by recreation centers and programs. The new form should require less time on the part of recreation staff by simplifying the quantity of data staff are asked to observe and record. The Department should consider asking recreation staff to take "snapshots" of attendance activity at different points throughout the week, rather than tracking every user. However, even with a new form, the Department needs to address the issues of (a) staff perception of the data collection process, (b) reporting compliance, and (c) the integrity of the data itself.

Program Quality and Evaluation

The Department does not have a policy requiring minimum standards of program quality or the establishment of program goals and outcomes. The quality of recreation programs is, therefore, largely unknown, highly variable, and primarily dependent on the abilities and resources of the recreation staff managing them. As with the solicitation of community input into programming decisions, the identification of program goals and outcomes and the evaluation of programs by participants, if done at all, are left to the discretion individual recreation staff. Therefore, the Department is not able to assess community reaction to specific programs and measure the occurrence of desired outcomes in both programs and facilities.

Defining Core Recreation Services

The 2004 *Recreation Assessment Report* defined the Department's "core services" and recommended that the Department use this list of core services in developing standardized performance measures, goals, and evaluation procedures for programs. The report's criteria to define core services included, among other criteria, if the services have a deep history of being provided by the Department and if the services consume a considerable portion of the Department's budget. Although these criteria may reflect effects of the provision of core services, they are merely descriptive and are not appropriate for understanding what constitutes a staple function of the Department. These criteria could potentially be used to perpetuate underutilized or otherwise unsuccessful programs simply because these programs have a long history in the Department or utilize a significant amount of Department resources.

The Operations Division and Long Range Planning Division have recently undertaken a similar effort to define the Department's core services. This process is currently underway and, the results are not yet available for analysis. The Department should ensure that it is not using criteria to define core services that are based on history or expenditures, but on the service's role in the fulfillment of the Department's mission as a provider of recreation opportunities and parks. Once the development of the list of core services is completed, the Operations Division should design methods to ensure quality in the provision of these core services, including standardized performance measures, program goals, and evaluation procedures.

Office of the Controller's Measure of Service Quality

The performance measures reported by the Department on a quarterly basis do not address the issues of program outcome fulfillment and program quality. However, the Office of the Controller's Annual Citywide Survey includes several general measures intended to assess recreation program quality. Table 4.2 summarizes these results for FY 2001-2002 through FY 2004-2005.

Table 4.2

Office of the Controller's Annual Citywide Survey Results for Recreation Performance Measures

FY 2001-2002 through FY 2004-2005

Performance Measure	FY 2001-2002	FY 2002-2003	FY 2003-2004	FY 2004-2005
Percentage of San Franciscans who rate the quality of adult programs good or very good	44%	47%	44%	35%
Percentage of San Franciscans who rate the quality of children and youth programs good or very good	49%	57%	51%	37%
Percentage of San Franciscans who rate the convenience of recreation programs good or very good	55%	56%	55%	47%

Source: Office of the Controller, Annual Citywide Survey

As shown in Table 4.2, the percentage of San Franciscans who rate the quality and convenience of recreation programs as good or very good has decreased between FY 2001-2002 and FY 2004-2005 by between 8 and 12 percentage points, as measured by all three performance measures. These measures do not provide specific information, and therefore have limited prescriptive value, but they suggest that the public is less satisfied now than it was four years ago with recreation program quality. The Department needs to better understand the public's experiences behind these numbers, including the public's satisfaction with specific programs and services.

The Need for Program Evaluations

In order to gauge program quality, the Department should perform post-program evaluations. Currently, the Department neither requires nor requests that recreation staff conduct post-program evaluations with participants. Similar to the informal and ad hoc process described above for making program decisions, program quality is also assessed through informal participant feedback, if done at all. Some recreation directors choose on their own to ask program participants to fill in evaluation forms. However, even though these recreation staff create their own evaluation forms and administer their own evaluations, the Department was unable to identify where these evaluations are being done in neighborhood facilities, much less the results of such evaluations.

Even in the citywide programs, which are run in a centralized manner, program evaluations are not required and generally not performed. Of eleven citywide recreation programs surveyed, only two regularly ask participants to perform a post-program evaluation. These were (a) the Workreation Program (a teen employment program) and (b) adult softball. As discussed above, this lack of centralized knowledge of what is happening "in the field" is pervasive.

The Department should develop policies and procedures for the establishment of program goals and suitable performance measures associated with these goals. The Department should develop a generic program evaluation form in order to collect community feedback, a task which the Department reports it is currently undertaking. At minimum, the use and compilation of program evaluations should be required for citywide and core recreation programs. Finally, the Department should centrally collect program outcome and quality data for use in better programming and resource allocation decisions.

The 2004 Recreation Assessment Report

Even when the Department has undertaken a formal analysis of communities' needs in relation to the Department's recreation priorities, the Department has not adequately followed through with implementing the results. In August of 2004, the Department published the *Recreation Assessment Report*, the culmination of a study conducted by Leon Younger and PROS, LLC. The 2004 *Recreation Assessment Report* represents the first attempt at studying recreation in the Department's one hundred-year history. The study analyzes the types and quality of recreation opportunities provided by the Department and compares these with the recreation wishes of San Francisco residents – including both users and non-users of Department facilities and programs. The Department's decision to develop the *Recreation Assessment Report* was the result of a recommendation contained in the 2001 five-year Strategic Plan.

Implementation Progress To Date

Since the *Recreation Assessment Report's* publication over one year ago, the Department has made minimal progress in executing the report's recommendations. The report outlined five overarching goals and recommended between five and ten implementation strategies for each goal. As shown in Table 4.3, as of November of 2005, the Department has completed only one of these 35 recommended strategies and has shown evidence of progress in seven of the 34 remaining strategies.

Table 4.3

The Recreation Assessment Report's Five Recommended Goals and Progress in their Implementation

Recreation Assessment Report Goal	Number of Recommended Strategies	Number of Strategies Completed	Number of Strategies With Evidence of Progress
1. Develop consistent core programs and facility standards across the City so all participants and users receive a quality recreation experience.	6	0	1
2. Recreation services will meet community needs through effective use of demographic data and increased marketing and promotional efforts to inform users of services.	6	1	0
3. Recreation facilities will be valued as community assets by upgrading and maintaining all indoor and outdoor facilities in need of major repair over a ten-year period to create a quality user experience and positive image for the City.	5	0	0
4. Update existing and create new partnership agreements to establish balance and equity of each partner's investment, creating trust and eliminating entitlement.	8	0	2
5. Reposition recreation services as a viable City service by developing an outcome based management culture that focuses on accountability and exceeding the needs of users while building an efficient and productive organization that operates in a proactive manner.	10	0	3
TOTAL	**35**	**1**	**7**

Accomplishments in the implementation of the *Recreation Assessment Report's* recommendations are primarily in two areas. First, in response to the recommendation that the Department "create consistent program design standards for all core programs as it applies to staff-to-user ratios, hours, program content by level of activity, activity outcomes and equipment access," the Department formed advisory groups for two citywide programs – the Latchkey and Tiny Tots Programs. The Department also began compiling information about all of its recreational opportunities and schedules and publishing this information twice a year - online and in brochure format for distribution. (However, as of November 11, 2005, the program information and schedules contained on the Department's website were considerably out-of-date, with no information available for any programs after August of 2005.)

Implementation Delegation and Management

Despite these few accomplishments, the Department has clearly not progressed far in the *Recreation Assessment Report's* implementation. This is partially the result of how the Department chose to initially manage and monitor implementation. The Department first delegated responsibility for managing the implementation of the *Recreation Assessment Report's* recommendations to a Classification 3284 Recreation Director and a Classification 3292 Assistant Recreation Superintendent.

Almost all of the report's recommendations, however, require of a scope of management that significantly exceeds the job descriptions of these two positions. This delegation of responsibility to staff who are not among the Department's top-level managers sent the message, whether true or not, that the *Recreation Assessment Report*'s realization was not a priority for the Department. Further, the Department's did not establish methods for monitoring the progress and status of the report's implementation.

In early 2005, the Acting General Manager put the implementation of the *Recreation Assessment Report* implementation on hold. The Acting General Manager directed planning staff to examine and refine the proposed core programming activities described in the *Recreation Assessment Report.* It is unclear what the current status and direction of the implementation process is, given the current period of management transition, however the new Director of Operations has indicated that implementation of the *Recreation Assessment Report* is a top priority. Regardless, if the Department intends to follow though with some or all of the *Recreation Assessment Report's* recommendations, it needs to make the responsibility of implementing them a duty of one or several high-level staff, develop a clear implementation timeline and strategy, and establish a formal procedure for tracking the progress.

Community Affairs and Outreach

According to the citywide survey performed for the 2004 *Recreation Assessment Report*, the most common reason reported preventing respondent households from participating in the Department's programs more often was "I don't know what is being offered" (57 percent), followed by "I do not know locations of programs" (37 percent). Both of these reasons point to the Department's limited transmission of information about its programs and facilities to potential users.

Recreation facility staff perform the majority of the public outreach for the programs held at their facilities. However, the Department does not provides its staff with adequate training related to public outreach. Further, the Department does not have an overall understanding of the scope or types of outreach done by its staff. The Department has one budgeted Classification 1314 Public Relations Officer in FY 2005-2006 among a total of 1,120.24 full time equivalent positions. By comparison, DPW has 5.0 full time equivalent budgeted positions for public relations and information (1.0 full time equivalent Classification 1310 Public Relations Assistant, 1.0 full time equivalent Classification 1312 Public Information Officer, and 3.0 full time equivalent Classification 1314 Public Relations Officers) among a total of 1,456.19 full time equivalent staff. Therefore, as shown by this staffing allocation, the Department and City have made an implicit decision over time to delegate the task of outreach and community affairs management to its front-line staff.

Even though community outreach may continue to be the primary responsibility of front-line staff, the Department should consider organizing a community affairs and outreach task force composed of existing staff, including representatives from the General Manger's Office and the Operations, Volunteer Services, Capital Planning, and Long Range Planning programs and divisions. This task force should assess the current outreach and community affairs situation in the department and develop recommendations for future improvements.

Parks, Recreation, and Open Space Advisory Committee (PROSAC)

The Department has an existing resource that is well-suited for serving as a strong liaison to the community, but this resource is not currently operating at its full capacity. The Parks, Recreation, and Open Space Advisory Committee (PROSAC) was formed by the passage of Proposition C in 2000 and is a citizen's advisory body composed of 23 members appointed by the Board of Supervisors and the Mayor. In addition to commenting on the Department's strategic, operation, and capital plans and providing assistance in conducting public meetings to review the proposed annual budget, the Parks, Recreation, and Open Space Advisory Committee, according to Park Code Section 13.01, also has the following responsibility to conduct outreach and solicit public input:

> Members of the Committee appointed from supervisorial districts shall serve as liaisons between the Commission and the residents, neighborhood groups and organizations dedicated to park and recreational issues in their districts. Members may also serve as liaisons to the public at large and to citywide organizations that are concerned with park and recreational issues, and may assist the Department to arrange meetings with neighborhood groups, citywide organizations and the public at large to discuss such issues.

Interviews with Department staff and Parks, Recreation, and Open Space Advisory Committee members indicate that the advisory committee is not fulfilling the above responsibility. The Department should work with the Chair of the Parks, Recreation, and Open Space Advisory Committee to determine a clear plan for the execution of these district and citywide liaison activities, including how the Department will provide appropriate support for the committee's efforts and what the performance expectations should be for committee members.

Managing Community Partnerships and Relationships

The Department interacts with a diverse array of community stakeholders, including individual volunteers, other public agencies, foundations, and neighborhood groups that advocate on behalf of issues, facilities, and programs. The Department has the responsibility to actively manage its myriad relationships with community stakeholders. However, the Department does not have policies and procedures in place to govern its work with any of these stakeholders. As discussed above, the Department has a decentralized and informal approach for soliciting and incorporating public input and community information into its program decisions. This same approach also extends to how the Department manages its relationships with a diverse array of community stakeholders.

Unknown Scope of Community Partnerships

Upon request, the Department could not provide a list of community groups with which it regularly works. Although it is understandable that such a list would be constantly in flux and would likely not encompass all partnerships (such as small groups that arise in response to a single event, issue or facility for a short period of time), the Department should be able to provide a list of those partnerships and community stakeholders it works with on a regular basis.

Partial lists of partners do exist. For example, the Volunteer Program provided a list of the 120 groups it works with on a monthly or otherwise regular basis. The Parks Trust reported 74 "Park Partners", or community organizations which support and work with Department facilities and programs. Examples of Park Partners include Aces for Junior Tennis, Friends of Alta Plaza Park, and the Strictly Bluegrass Festival. Many of these partners have set-up accounts with the Parks Trust to manage their financial contributions to the Department. However, there are community groups that are not counted among the partners working with either the Parks Trust or the Volunteer Services Program.

This analysis has identified seven types of partnerships that the Department engages in with community stakeholders - public, private, and not-for-profit - on a regular basis. These seven types are listed in Table 4.4 below.

Table 4.4

Types of Community Partnerships

Partnership Category	Example(s)
CCSF and Department-sponsored Citizen Advisory Committees	Parks and Recreation Advisory Committee (PROSAC); Dog Advisory Committee (DAC); Natural Areas Program Citizens Advisory Committee (NAPCAC)
Partnerships and arrangements with other governmental entities	Other City Departments; San Francisco Unified School District (SFUSD); City College
Non-profit foundations affiliated with Department	Parks Trust
Volunteer and advocacy groups affiliated with a specific facility or program	Friends of Buena Vista Park; Friends of Glen Canyon Park
Ongoing volunteer groups not affiliated with a specific facility or program	Gap, Inc.
Issue specific advocacy groups	California Native Plant Society; DogPAC
Advocacy groups concerned with citywide park and recreation issues	Neighborhood Parks Council; San Francisco Planning and Urban Research (SPUR)

Inadequate Policies Governing Community Partnerships

Many recreation center staff report that they regularly work with community partners, but they do so without guidance regarding topics such as how to assist community groups in forming, how much staff time to devote to partnerships, and how to solicit, process, and report donations and in-kind assistance from partners. It is currently not clear what should happen when a community group wishes to form and advocate on behalf of the Department. Upon asking this question of several different high-level Department staff, no common answer was received.

The Department does not have policies or procedures in place guiding the formation and management of its partnerships. Although several staff reported that the Department does, in fact, has a formal policy related to partnerships with community groups and other organizations, no one in the Department was able to locate or describe such a comprehensive policy. Even though the Department does have some minor and scattered policies that relate to community groups and partnerships, these policies certainly do not constitute an intentional, comprehensive approach to managing the Department's interactions with community partners.

Additionally, there are situations, such as when there is a monetary relationship or the occupation of Department facilities by community partners, when the Department should clarify the roles and responsibilities of itself as well as the partner organization through a partnership agreement. Therefore, in addition to creating policies and procedures related to how staff should work with partners, the Department should clearly define the types of partnerships that require partnership agreements and employ these agreements accordingly.

It is important to note that there have been situations in the past in which the codification of partnership agreements has been politically contentious, or even unfeasible. A well-known example of this was the failed attempt at the creation of a memorandum of understanding between the Department and the Friends of the Randall Museum in 2004. By having a policy in place, it may be that the Department can avoid some future contentious situations by actively managing and tracking partnerships from the beginning.

No Centralized Management of Community Partnerships

The Department does not have any staff dedicated to developing and managing community partnerships. There is no single person, office, or program within the Department that can describe the magnitude and diversity of the Department's partnerships and community relationships; however, there is one individual in the General Manager's Office who facilitates some partnerships and works with community groups on various large projects. The General Manager should designate a person in his office to compile information related to the community groups and partners with which the Department works.

A centralized clearinghouse of partnership information would assist the Department in a number of important ways. It would assist the Department in its planning decisions by allowing the quantification of the resources the Department both provides and receives from partnership arrangements. Examples of quantifiable resources the Department provides include staff time and facility usage. Examples of quantifiable resources the Department receives include equipment donations to recreation centers and volunteer hours. Such a centralized source of information on partnerships would also provide the Department with valuable information related to best practices in partnering.

Partnerships for the Provision of Recreation Programming

As discussed above, the Department has recently undertaken an effort to define its "core services." There are some programs and services that are currently offered by the Department at recreation centers, such as child development and education programs and other social services, which arguably are non-core and fall outside of the Department's mission. Although it may be appropriate for non-core programs and services to continue to be offered at recreation center facilities, the provision of facilities should not be equated with the provision of all of the programs and services offered within them.

Because the Department's resources are already stretched thinly, the Department must focus first on providing quality services and programs that are central to its mission, prior to extending into other areas. Therefore, once the development of the list of core services is completed, the Operations Division should use this list to prioritize resource allocation decisions in recreation centers. Should the Department arrive at a list of core services that does not include programs that focus on, for example, child development and other social services, the Department should investigate the development of partnership opportunities for continuing to provide these non-core services at recreation center facilities.

The Department has entered into a pilot program with the Department of Children, Youth, and Families in which community based organizations will provide children's and families' programs in Recreation and Park Department facilities during FY 2006-2007. The Department should evaluate this pilot as a model for providing additional programs and services.

Managing Volunteers

The scope of volunteerism in parks and recreation centers is increasing, but the Department does not have policies to manage the use of volunteers or incorporate volunteer supervision into staff work activities. The number of volunteer hours performed in parks grew every year during the past four years, and totaled 41,571 volunteer hours in FY 2004-2005. Table 4.5 below summarizes the number of volunteer hours performed in parks from FY 2001-2002 through FY 2004-2005. In FY 2004-2005, there were 120 community groups that regularly volunteered in parks, and many others that volunteered on one or a few occasions.

Table 4.5

Volunteer Hours in Parks, FY 2001-2002 Through FY 2004-2005

	FY 2001-2002	FY 2002-2003	FY 2003-2004	FY 2004-2005
Number of Volunteer Hours in Parks	32, 189	36,700	41,365	41,571

Source: Recreation and Park Department Volunteer Services Program

Also indicating a growing desire to engage community volunteers, the Mayor's Office announced in July of 2005 a new initiative called "Project Park Connect." Although there are still few specific details about Project Park Connect, the initiative aims to increase community participation in park maintenance, thereby essentially increasing the volunteer presence in parks. According to an article in the *San Francisco Examiner,*[1] Mayor Newsom described the program as a way to "reconnect the public in San Francisco to their parks in a formal way," and at the same time "help offset the burden that exists with limited resources in maintaining our parks and recreation facilities."

Although the Department is increasingly working with and relying on volunteers, the Department does not have a formal volunteer policy in place. There have been repeated efforts over the past several years to write and adopt a volunteer policy. However, the Commission has not adopted a policy to date, primarily as a result of dissent from labor and community organizations.

The Department's Volunteer Program oversees volunteer efforts, at times in conjunction with the Parks Trust, the Department's non-profit partner. The Volunteer Program, in the absence of formal policy guidance, has developed its own procedures for governing work with volunteers. The Volunteer Program procedures include the use of an in-house "permit to work" form, a hold harmless agreement (related to the Department's liability in the case of accident or injury), and the distribution of volunteer representatives.

The Commission has not adopted a formal volunteer policy, at least in part because of concern among front-line staff and the unions representing them that an increased reliance on volunteers may endanger the job security of staff positions. Further complicating the situation are the current job descriptions for some staff, which do not include references to working with volunteers. Staff response to, and enthusiasm for, working with volunteers varies widely, and some of those who do not want to work with volunteers point to their job descriptions for support of their positions. Furthermore, there has been debate related to the appropriate staff-to-volunteer ratio during a volunteer work project and whether or not this ratio should vary with the type of volunteer work being performed. Because of the sensitivity and complexity of the issues involved, many involving negotiations with labor unions, the Department has not been able to institute a volunteer policy. The Office of the Mayor has recently taken leadership of this issue and is now managing the discussions with unions and interested community organizations.

Given that the number of volunteers working in the Department's facilities will likely continue to grow, especially with the institution of the Mayor's Project Park Connect initiative, the lack of a formal volunteer policy needs to be promptly remedied. Although the negotiations are currently being handled by the Office of the Mayor, the Department should monitor these discussions and ensure that progress continues. The Department should provide negotiators with the productivity standards for gardeners that are currently under development by Planning Staff (see Section 2). These standards may assist in clarifying which gardening tasks do not require specific horticultural knowledge and training, and which should only be reserved for gardening staff.

Additionally, the Department should clarify the job descriptions of appropriate staff to include the supervision of volunteers. Finally, although the Department provides lead pay to gardeners who work with volunteers, the Department should investigate the possibility of providing incentives to all staff who do so.

---

[1] Gordon, Rachel. "Mayor proposes legion of volunteers to keep up parks Union leaders, city managers working on an agreement." San Francisco Examiner, July 29, 2005.

Conclusions

The Recreation and Park Department is one of the most publicly visible departments in the City and County of San Francisco, whose central role is the provision of services and facilities to the public. Department staff are located in all City neighborhoods, and they interact daily with San Francisco residents by providing them with recreation opportunities and open space. Hence, the Department has a considerable responsibility to respond to the needs of its users and provide them with the types of services they desire. However, the Department does not currently have adequate policies and procedures in place such that it can effectively seek out and respond to the needs of the community.

The Department interacts with a diverse array of community stakeholders, including individual volunteers, other public agencies, foundations, and neighborhood groups that advocate on behalf of issues, facilities, and programs. The Department has the responsibility to actively manage its myriad relationships with community stakeholders. However, the Department does not have policies and procedures in place to govern its work with these stakeholders. The same informal and decentralized approach to resource planning described above also extends to how the Department manages its relationships with a community stakeholders.

Recommendations

The Recreation and Park Department General Manager should:

4.1 Direct the Director of Operations to work with Neighborhood and Citywide Services Managers to research, develop, and implement protocols based on best practices for outreach and the solicitation and inclusion of community input. Appropriate protocols may include the use of a standard recreation program evaluation, regular focus groups and district-level community meetings, and suggestion boxes at recreation facilities. These protocols should include reporting mechanisms, so that the Director of Operations and Neighborhood and Citywide Services Managers can accurately quantify the community outreach and input taking place.

4.2 Direct Neighborhood Services Managers to be responsible for ensuring compliance with community input and outreach protocols, for example by including community outreach and input goals in employee performance plans and evaluations.

4.3 Direct the Department's planning staff to analyze the recreation programs offered in relation to external factors such as neighborhood and citywide demographics, what programs and services are being offered by other providers in the area, and historical recreation trends.

4.4 Direct the Director of Operations to develop a plan to address recreation trends, a plan that should specifically include the provision of more fitness and adventure sport opportunities.

4.5 Direct the Director of Operations to create stronger incentives for staff to submit attendance data, supplemented by disciplinary actions, if necessary, and make a strong case for the collection of this data to staff, by creating a clear plan for how it will be used to make programming decisions in the future.

4.6 Direct the Director of Operations to create a more efficient method to collect attendance data, such as asking recreation staff to take "snapshots" of attendance activity at different points throughout the week, rather than tracking every user.

4.7 Direct the Director of Operations to develop protocols for checking the integrity of attendance data, such as using anonymous "shoppers" who visit recreation centers to observe actual community use of facilities and programs.

4.8 Direct the Director of Operations to require regular meetings with staff at a district or quadrant level to facilitate the transmittal of attendance data, among other goals discussed in Section 2.

4.9 Direct the Director of Operations to ensure that the criteria being used to define core services do not include the length of time the service has been offered by the Department or the amount of budgetary resources the service currently requires. Rather, the criteria for defining core services should elucidate the service's role in the fulfillment of the Department's mission as a provider of recreation opportunities and parks. Once the development of the list of core services is completed, the Operations Division should design methods to ensure quality in the provision of these core services, including standardized performance measures, program goals, and evaluation procedures.

4.10 Direct the Director of Operations to develop policies and procedures for the establishment of program goals for core programs and the measurement of performance measures associated with these goals.

4.11 Direct the Director of Operations to develop a generic program evaluation form. At minimum, the use of program evaluations should be required for citywide and core recreation programs. The Director of Operations should ensure the central collection of program outcome and quality data.

4.12 Delegate the responsibility of implementing the recommendations of the 2004 *Recreation Assessment* to the Director of Operations and require the development of a clear implementation timeline and strategy and the establishment of a formal reporting procedure, including reporting to the Recreation and Park Commission, for tracking implementation progress.

4.13 Consult with the Chair of the Parks, Recreation, and Open Space Advisory Committee (PROSAC) to determine a clear plan for the execution of the committee's district and citywide liaison activities, including how the Department will provide appropriate support for the committee's efforts and what the performance expectations should be for committee members.

4.14 Develop policies and procedures related to community partnerships. The policies should clearly define the types of partnerships that require memoranda of understanding and partnership agreements.

4.15 Designate a person in the General Manager's Office to compile information related to the community groups and partners with which the Department works.

4.16 Direct the Director of Operations to use the list of core services, once developed, to prioritize resource allocation decisions in recreation centers and investigate partnership opportunities for the provision of non-core services at recreation center facilities.

4.17 Direct the Director of Operations to evaluate the pilot program with the Department of Children, Youth, and Families in which community based organizations will provide children's and families' programs in Recreation and Park Department facilities as a model for providing additional programs and services.

4.18 Monitor the progress of discussions being led by the Office of the Mayor to address development of a formal volunteer policy. The General Manager should provide negotiators with the productivity standards for gardeners that are currently under development by Planning Staff. This effort may assist the Department and the union by clarifying which gardening tasks do not require specific horticultural knowledge and training, and which should only be reserved for gardening staff.

4.19 Work with the Director of Human Resources to modify the job descriptions of gardening and recreation staff, so that they include the supervision of volunteers.

4.20 Investigate the possibility of providing incentives for staff to work with volunteers.

The Recreation and Park Commission should:

4.21 Review and approve the protocols, plans, policies and procedures, and list of core services contained in Recommendations 4.1, 4.9, 4.10, and 4.14.

Costs and Benefits

The Budget Analyst's recommendations are intended to improve the Recreation and Park Department's practices in working with the community and planning programs that meet the community's needs. The Department incurs significant opportunity costs, which are difficult to quantify, by failing to develop accurate program use numbers and by failing to work with the community to offer programs that meet the communities' needs. By implementing the Budget Analyst's recommendations, the Recreation and Park Department would better plan and allocate recreation resources and serve the community.

5. The Open Space Fund

- In FY 2005-2006, the Open Space Fund budget is $27,746,427, which equals 23.8 percent of the Department's total FY 2005-2006 budget of $116,630,020. During the last ten years, there has been an upward trend in Open Space Fund support for the Department's personnel costs in terms of (a) actual dollars budgeted for personnel each year, (b) the percentage of the Department's total personnel budget, and (c) the percentage of the Open Space Fund itself. During the four years from FY 2002-2003 to FY 2005-2006, while there has also been a significant upward trend in the Open Space Fund support for the Department's overhead costs, the Open Space Fund support for non-personnel and capital projects trended significantly downwards.

- The Department was not able to provide documentation on the Department's compliance with the Charter's Open Space Fund requirements during the 13 years of Proposition J (FY 1975-1976 through FY 1987-1988) or during the first seven years of Proposition E (FY 1988-1989 through FY 1994-1995). However, the Department did provide evidence of its compliance with the Open Space Fund allocation requirements during the last five years of Proposition E (FY 1995-1996 - FY 1999-2000).

- The Department has also complied with the Open Space Fund allocation requirements under Proposition C (FY 2000-2001 to date), with the exception that the Department has failed to routinely budget 3 percent of the total fund for an undesignated contingency reserve, as required by Proposition C. This needs to be rectified to ensure compliance with Charter requirements. Such a reserve would improve the financial condition of the Open Space Fund and would ensure that funding for unanticipated needs is available. The FY 2005-2006 shortfall for the undesignated contingency reserve is $52,585.

- In the 30 years since 1975 that the Open Space Fund has operated, the City has spent $25,313,955 and accepted gifts, bequests, and inter-agency jurisdictional transfers to acquire 91.67 acres of land at 56 sites in nine of the 11 Supervisorial districts.

- The Department is developing a much needed property acquisitions policy to guide future Open Space Fund property acquisitions. A formal property acquisitions policy will enable the Department to identify properties that it wants to acquire in order to achieve its long-term recreation and park policy goals.

History

In 1975, the Open Space Acquisition and Park Renovation Program ("Open Space Program") was established under Proposition J to set aside a portion of the City's property tax revenue ($0.025 of each $100 assessed valuation) for 15 years, through FY 1989-1990, to enhance the City's ability to purchase open space, acquire property for recreation facilities, and develop and maintain those facilities. The program funded over 35 acquisition and development projects and over 250 renovation projects.

In November of 1988, voters approved Proposition E which amended Charter Section 6.413 to (a) extend the Open Space Program by 15 years through FY 2004-2005, and (b) expand the program to include funding for children's services such as the after school program, maintenance of existing parks and open spaces, other recreational programs, and program administration.

The expanded Proposition E program was administered by the Recreation and Park Department within the parameters of an annually updated Five Year Plan approved by the Recreation and Park Commission, the Planning Commission, and the Board of Supervisors. Open Space Program funds had to be allocated consistent with the Recreation and Open Space Element of the City's General Plan. The Recreation and Park Department received advice from a 23 member Park and Open Space Citizens Advisory Committee which held public hearings from September through February each year to consider residents' requests for use of Open Space Program funds.

Monies collected under the Open Space Program were set aside for the following functions:

- Property acquisition and development (a minimum of 24 percent of the total fund).
- Property renovation (a minimum of 9 percent of the total fund).
- Maintenance of properties acquired and renovated under the program (a maximum of 40 percent of the total fund).
- The establishment and operation of after school programs at both Recreation and Park Department and San Francisco Unified School District facilities (a minimum of 12 percent of the total fund).
- Administration (a maximum of 15 percent of the total fund).

One-time revenues, such a reallocations, interest earnings, or special deposits, were allocated for expenditure on specific acquisition and development projects in future years.

Proposition C (March of 2000)

San Francisco voters approved Proposition C on March 7, 2000 which:

- Extends the Open Space Program's property tax funding sources through FY 2030-2031. Charter Section 16.107 specifically states that "Revenues obtained thereby shall be in addition to, and not in place of, any sums normally budgeted for the Department and, together with interest, shall be deposited into the Park, Recreation and Open Space Fund." Under Proposition C, the Park, Recreation and Open Space Fund ("Open Space Fund") replaced the former Park and Open Space Fund.

- Requires that (a) net increases in Department-generated revenues be dedicated to capital and/or facility maintenance improvements to park and recreational facilities, and (b) new revenues from outside sources be used only for enhancement of park and recreation programs including capital and/or facility maintenance improvements. Departmental savings are to be retained by the Department for one-time expenditures. Therefore, funds which might otherwise be subsumed by the General Fund must stay in the recreation and park system.[1]

- Reorganizes how the funding can be used, how projects are prioritized, and how the program is implemented, by removing pre-determined percentages for the Open Space Fund's allocation, and requiring annually updated five-year strategic, capital, and operational plans. The budget must include a minimum 5 percent allocation for property acquisitions, a 3 percent allocation for a reserve, and continuation of the allocations for after-school recreation programs, urban forestry, community gardens, volunteer programs, and the natural areas management program at FY 1999-2000 levels, unless such programs are funded elsewhere.

- Requires that capital projects must be completed within three years of the budget allocation for design and construction, except when the Recreation and Park Commission waives the three year requirement by a two-thirds vote.

- Renamed the 23 member Park and Open Space Citizens Advisory Committee as the Park, Recreation and Open Space Advisory Committee (PROSAC).

- Permits the Board of Supervisors to authorize the issuance of revenue bonds for capital improvements, secured by the Open Space Fund, and allowed the Recreation and Park Commission to manage all aspects of those improvements.

- Authorizes the Department to manage its own capital projects, rather than relying exclusively on the Department of Public Works.

---

[1] The City is permitted to increase revenues only in a manner consistent with its policy of charging City residents a lower fee than charged non-residents for the use and enjoyment of Department property.

Expenditure Summary

Open Space Fund Contribution to Department's Total Budget

As shown below in the Table 5.1 summary of the City's *Consolidated Budget and Annual Appropriation Ordinances* for the last ten years, the Open Space Fund has comprised a significant portion of the Department's total budget. During that time, the Open Space Fund only dropped below 19.0 percent of total funding in FY 2000-2001 and FY 2001-2002, the Department's two peak funding years due to the Capital Program Phase I ramp up immediately following the March 7, 2000 voter approval of Proposition C, the 2000 Neighborhood Parks Improvement Bonds.

During the last ten years, there has been an upward trend in Open Space Fund support for the Department's personnel costs in terms of:

- Actual dollars budgeted for personnel each year: $7,140,623 of the Department's FY 1996-1997 personnel budget of $42,368,599 was funded by the Open Space Fund compared to $15,923,982 of the Department's FY 2005-2006 personnel budget of $54,559,421. This is an increase of $8,783,359 or approximately 123.0 percent. Over the same period, the Open Space Fund's contribution to the Department's total budget increased from $16,034,059 to $27,746,427, an increase of $11,712,368 or approximately 73.0 percent. This indicates that the Open Space Fund's contribution to the Department's personnel budget is growing at a significantly faster rate than its contribution to the Department's overall budget. This indication is further confirmed by that fact that the Open Space Fund's $8,783,359 contribution to the increase in the personnel budget is approximately 75.0 percent of the Open Space Fund's $11,712,368 contribution to the increase in the Department's total budget.

- The percentage of the Department's total personnel budget: 16.9 percent of the FY 1996-1997 total personnel budget was funded by the Open Space Fund compared to 29.2 percent in FY 2005-2006. This is an increase of 12.3 percent.

- The percentage of the Open Space Fund itself: 44.5 percent of the FY 1996-1997 Open Space Fund was expended on personnel compared to 57.4 percent in FY 2005-2006. This is an increase of 12.9 percent.

As noted above, the Open Space Fund is created by Charter Section 16.107 which specifically states that "Revenues obtained thereby shall be in addition to, and not in place of, any sums normally budgeted for the Department and, together with interest, shall be deposited into the Park, Recreation and Open Space Fund." The Budget Analyst questioned how the Open Space Fund's increasing percentage contributions to the Department's total budget and personnel costs fit within that Charter requirement. In response, the Department stated that it "is in full compliance with the Charter mandates regarding the use of Open Space revenue" and that Proposition C allows the Department to retain expenditure savings to be dedicated to one-time expenditure needs in the forthcoming fiscal year. Expenditure savings in the amount of $600,000 in FY 2001-

2002 were appropriated in the Department's FY 2002-2003 budget for technology enhancements. During FY 2002-2003 and FY 2003-2004 there was a required expenditure savings from every General Fund department to revert back to support the City's General Fund at year-end. However, because of the Recreation and Park Department's ability to retain savings via Proposition C, the Department was allowed to transfer savings in the amounts of $3.5 million (FY 2002-2003) and $1.8 million (FY 2003-2004) back into its own budget to supplement its General Fund support in both fiscal years.

Please note that the figures contained in Table 5.1 below are based on the Department's budgeted figures, as approved by the Board of Supervisors at the beginning of each fiscal year. These figures indicate the intent of the Board of Supervisors.

Table 5.1

Open Space Fund Contribution to the Department's Total Budget and the Department's Personnel Budget, FY 1996-1997 Through FY 2005-2006

Fiscal Year	Total Budget	Open Space Fund	Open Space Fund as % of Total Budget	Total Personnel	Personnel Funded by the Open Space Fund	% of Total Personnel Funded by the Open Space Fund	% of Open Space Fund Expended on Personnel
1996-1997	74,218,771	16,034,059	21.6	42,368,599	7,140,623	16.9	44.5
1997-1998	78,918,943	16,064,200	20.4	47,057,727	7,316,869	15.5	45.5
1998-1999	84,249,636	16,026,467	19.0	51,024,985	8,209,086	16.1	51.2
1999-2000	89,297,805	17,975,983	20.1	52,480,777	9,422,607	18.0	52.4
2000-2001	125,465,545	19,761,967	15.8	53,908,807	9,998,324	18.5	50.6
2001-2002	142,403,626	21,151,745	14.9	57,564,536	10,968,284	19.1	51.9
2002-2003	112,315,444	25,992,454	23.1	55,968,427	12,301,977	22.0	47.3
2003-2004	106,489,982	28,123,456	26.4	52,509,515	13,475,671	25.7	47.9
2004-2005	104,465,111	24,466,992	23.7	52,610,528	11,698,740[2]	22.2	47.8
2005-2006	116,630,020	27,746,427	23.8	54,559,421	15,923,982[3]	29.2	57.4

Source: City and County of San Francisco, *Consolidated Budget and Annual Appropriation Ordinance*, FY 1996-1997 through FY 2005-2006

---

[2] In anticipation of a revenue bond sale for the Capital Program, a $2 million debt service allocation was budgeted in the Open Space Fund for FY 2004-2005. To allow for this allocation, the Department moved 26 full time equivalent recreation staff positions from the Open Space Fund to the General Fund, thereby reducing the total personnel funded by the Open Space Fund. At that time, there were not enough funds in the Open Space Fund balance to afford both the debt service and the 26 full time equivalent recreation staff positions.

[3] In FY 2005-2006, the 26 full time equivalent recreation staff positions were moved back to the Open Space Fund because the revenue bond sale did not proceed.

Open Space Fund Expenditures by Category

Since its inception in 1975, the Open Space Fund has been controlled by three separate pieces of legislation, Propositions J, E, and C. Each piece of controlling legislation has required the Department to allocate funding according to certain expenditure categories. Table 5.2 below illustrates how the Department's expenditures complied with the Charter requirements of (a) Proposition E between FY 1995-1996 and FY 1999-2000, and (b) Proposition C between FY 2000-2001 and FY 2005-2006.

The Department was able to derive the expenditure information in Table 5.2 from the City's Financial and Management Information System (FAMIS) which commenced in FY 1995-1996. The Department was not able to provide equivalent information for the first 19 years of the Open Space Fund (FY 1975-1976 through FY 1994-1995) because such expenditure information, if it exists within the Department, would be held in manual ledgers and there is no institutional knowledge within the Department about Open Space Fund expenditures during that period. Therefore, due to this lack of historic data, the Budget Analyst is unable to comment on the Department's compliance with the Charter's Open Space Fund requirements during the 13 years of Proposition J (FY 1975-1976 through FY 1987-1988) or during the first seven years of Proposition E (FY 1988-1989 through FY 1994-1995).

Proposition E

As noted above, under Proposition E, monies collected under the Open Space Program between FY 1988-1989 and FY 1999-2000 were intended for the following functions:

- Property acquisition and development (a minimum of 24 percent of the total fund). As shown in Table 5.2 below, between FY 1995-1996 and FY 1999-2000, the Department complied by expending $23,227,886 or approximately 27.9 percent of the monies collected on property acquisition and development.

- Property renovation (a minimum of 9 percent of the total fund) and maintenance of properties previously acquired and renovated under Proposition J (a maximum of 40 percent of the total fund). As shown in Table 5.2 below, between FY 1995-1996 and FY 1999-2000, the Department complied by expending $37,626,489 or approximately 45.3 percent of the monies collected on property renovation and maintenance of Proposition J sites.

- The establishment and operation of after school programs at both Recreation and Park Department and San Francisco Unified School District facilities (a minimum of 12 percent of the total fund). As shown in Table 5.2 below, between FY 1995-1996 and FY 1999-2000, the Department almost complied by expending $12,591,175 or approximately 15.1 percent of the monies collected on after school programs.

- Administration (a maximum of 15 percent of the total fund). As shown in Table 5.2 below, between FY 1995-1996 and FY 1999-2000, the Department complied by expending $7,642,856 or approximately 9.2 percent of the monies collected on administration and planning, plus an additional $2,048,869 or approximately 2.5 percent on City overhead, for a total of $9,691,725 or approximately 11.7 percent.

Proposition C

As noted above, since FY 2000-2001 Proposition C has reorganized how Open Space Fund funding can be used, how projects are prioritized, and how the program is implemented, by removing pre-determined percentages for the Open Space Fund's allocation, with the following exceptions:

- A minimum 5 percent allocation for property acquisitions. Although Table 5.2 below shows that, during the life of Proposition J to date, the Department has only expended $6,168,495 or approximately 4.3 percent of the monies collected on property acquisition, the Department advises that the 2001 acquisition of Esprit Park, which had an appraised value of $9,780,000, more than met the 5 percent requirement for FY 2001-2002. The Department advises that the cost impact was outside the Recreation and Park Department budget because the Esprit Park property was exchanged for a development fee waiver at the Mission Bay Project in the amount of $7,600,000. Therefore, no acquisition cost for Esprit Park is included in Tables 5.2 and 5.4.

- A 3 percent allocation for an undesignated contingency reserve. Table 5.2 below shows that, during the life of Proposition J to date, the Department has not routinely complied with this requirement. In FY 2005-2006, the $779,808 budget for the undesignated contingency reserve is $52,585 less than full 3 percent required ($832,393). The Department advises that, each year, the figure budgeted for the undesignated contingency reserve is calculated as 3 percent of the Open Space Fund revenue estimate developed early in the budget development process. If the Open Space Fund revenue estimate subsequently increases during the budget development process, but the 3 percent figure is not recalculated, then the final undesignated contingency reserve amount budgeted can be less than required by Proposition J. The Department needs to ensure that the final undesignated contingency reserve appropriation calculation is based on the final Open Space Fund revenue estimate prepared by the Controller's Office for the annual appropriation ordinance. Fulfilling the requirement for a full 3 percent undesignated contingency reserve would improve the Open Space Fund's financial condition and ensure that funding for unanticipated needs is available.

- Continuation of the FY 1999-2000 base year allocations totaling $3,610,034 for after school programs ($2,383,015), urban forestry ($475,000), community gardens ($151,605), volunteer programs (200,414), and the natural areas management program ($400,000), unless such programs are funded elsewhere. Table 5.2 below shows that, during the life of Proposition J to date, the Department has consistently expended more than the $3,610,034 baseline each year.

Please note that the figures contained in Table 5.2 below are based on the Department's actual expenditure figures at the end of each fiscal year. Therefore, there is some difference in the figures for each year's annual Open Space Fund budgeted appropriations, as shown in Table 5.1 above, and actual expenditures, as shown in Table 5.2 below.

Table 5.2

Open Space Fund Expenditures By Category, 1995 - 2005

	Acquisition and Development[4]		Renovation, and Maintenance of Proposition J Sites		City Overhead		After School Programs		Administration & Planning		[illegible]		Total
Year	$	%	$	%	$	%	$	%	$	%	$	%	$
Proposition E													
1995-96	$6,822,633	36.8	$7,439,088	40.1	388,055	2.1	$2,878,857	15.5	$1,016,337	5.5			**$18,544,970**
1996-97	3,840,000	24.5	7,346,438	47.0	399,697	2.6	2,413,969	15.4	1,638,152	10.5			**15,637,983**
1997-98	3,848,000	24.7	7,294,522	46.9	399,697	2.6	2,760,894	17.7	1,263,000	8.1			**15,566,113**
1998-99	4,040,000	25.2	7,634,638	47.6	410,304	2.6	2,349,318	14.6	1,613,000	10.0			**16,047,260**
1999-00	4,677,253	27.0	7,911,803	45.6	451,116	2.6	2,188,410	12.6	2,112,367	12.2			**17,340,949**
Prop E Total:	**$23,227,886**	**27.9**	**$37,626,489**	**45.3**	**$2,048,869**	**2.5**	**$12,591,175**	**15.1**	**$7,642,856**	**9.2**			**$83,137,275**

---

[4] The Acquisition and Development amounts from FY 1995-1996 to FY 2000-2001 are budget amounts because they are continuing appropriations.

	Acquisition		3% Contingency		COWCAP[5]		Natural Areas, Urban Forestry, Community Gardens, After School, Volunteer Programs		Other Operating		Capital		Total
	$	%	$	%	$	%	$	%	$	%	$	%	
Proposition C													
2000-01	$1,366,000	6.9	0	0.0	$535,274	2.7	$3,912,076	19.8	$7,237,285	36.7	$6,686,383	33.9	**$19,737,018**
2001-02	0[6]	0.0	633,582	3.0	524,175	2.5	3,712,568	17.8	8,627,302	41.4	7,330,350	35.2	**20,827,977**
2002-03	1,089,315	4.2	653,589	2.5	491,998	1.9	5,253,864	20.1	9,807,306	37.6	8,800,235	33.7	**26,096,307**
2003-04	1,200,000	4.7	725,000	2.8	700,743	2.7	4,750,123	18.6	10,530,796	41.2	7,650,000[7]	29.9	**25,556,662**
2004-05	1,213,500	5.0	728,100	3.0	1,063,051	4.4	5,788,371	23.8	11,489,312	47.2	4,058,491	16.7	**24,340,825**
2005-06 (Budget)	1,299,680	4.7	779,808	2.8	1,350,360	4.9	5,743,084	20.7	15,998,449	57.7	2,575,047[8]	9.3	**27,746,428**
Prop C Total:	**$6,168,495**	**4.3**	**$3,520,079**	**2.4**	**$4,665,601**	**3.2**	**$29,160,086**	**20.2**	**$63,690,450**	**44.1**	**$37,100,506**	**25.7**	**$144,305,217**

Source: Recreation and Park Department

---

[5] The Department has consistently applied overhead costs to the Open Space Fund since FY 2003-2004. Prior to that, the Department was less consistent in its application of Department administrative costs to the Open Space Fund.

[6] The 2001 acquisition of Esprit Park, which had an appraised value of $9,780,000, fulfilled the Proposition C 5 percent requirement, but the cost impact was outside the Recreation and Park Department budget.

[7] In FY 2003-2004, 28 full time equivalent employees associated with the Natural Areas and Urban Forestry Programs, and Open Space Program Management, were moved from capital to operating to more accurately reflect those employees' work product. At the same time, overall personnel costs were reduced due to employee pick-up of retirements costs in FY 2003-2004 and FY 2004-2005.

[8] In FY 2005-2006, 16 full time equivalent structural maintenance employees were transferred from capital to operating to more accurately reflect those employees' work product.

Recent Open Space Fund Sources and Uses

Table 5.3 below shows that during the four years from FY 2002-2003 to FY 2005-2006:

- While the Open Space Fund trended upwards, from $22,468,780 in FY 2002-2003 to $26,399,467 in FY 2005-2006, total expenditures trended downwards in the three years between FY 2002-2003 ($26,096,307) and FY 2004-2005 ($24,340,825). The Department advises that this trend is explained by a variety of factors which differed from year to year. For example, employees picked up their retirement costs in FY 2003-2004 and FY 2004-2005, but the City picked up 5 percent of those costs in FY 2005-2006. Over this same period, certain positions were moved in and out of the Open Space Fund. For example, in FY 2003-2004, as part of the Department's implementation of its cost allocation plan, nine administrative positions were moved out of the Open Space Fund and into the Overhead Fund.

- Each year ended with an unspent fund balance, and this is projected to continue in FY 2005-2006. The largest unspent balance was $3,159,613 in FY 2004-2005. The Department advises that it maintains such unspent fund balances in order to be fiscally prudent, and would prefer to maintain at least a 10 percent fund balance. Unspent fund balances buffer the Department and the Open Space Fund against unforeseen occurrences such as the assessment appeal reserve placed by the Controller's Office in FY 2002-2003 ($2.3 million) and FY 2003-2004 ($3.1 million) against revenue in all funds supported by property taxes. The unspent fund balances are completely separate from the Proposition C requirement that the Department fund a 3 percent contingency reserve.

- In line with Table 5.1 above, personnel, in terms of both dollars and as a percentage of total expenditures, has trended upwards significantly, from $12,467,331 or 47.8 percent in FY 2002-2003[9] to $15,923,982 or 57.4 percent in the FY 2005-2006 budget. This is an increase of $3,456,651 or 9.6 percent, and reflects (a) cost of living increases for existing positions, (b) 12 full time equivalent new positions,[10] and (c) the transfer of approximately 50 full time equivalent positions from capital project budgets to operating budgets.

- Overhead, in terms of both dollars and as a percentage of total expenditures, has trended upwards since the Department commenced applying its cost allocation plan to the Open Space Fund, from $4,617,610 or 18.1 percent in FY 2003-2004 to $6,253,106 or 22.5 percent in the FY 2005-2006 budget. This is an increase of $1,635,496 or 4.4 percent.

---

[9] These figures vary slightly from those shown in Table 5.1 above because Table 5.1 derives its budgeted expenditures from the City's *Consolidated Budget and Annual Appropriation Ordinances* while Table 5.2 uses actual expenditure figures for FY 2002-2003 through FY 2004-2005.

[10] In FY 2001-2002, 12 new positions were approved comprising (a) four gardeners for the Natural Areas Program, (b) four aquatics staff for the Martin Luther King, Jr. Swimming Pool reopening, (c) two custodians, (d) one gardener, and (e) one recreation director.

- Meanwhile, in terms of both dollars and as a percentage of total expenditures, non-personnel and capital expenditures have trended downwards significantly, from $13,136,978 or 50.3 percent in FY 2002-2003 to $5,569,339 or 20.1 percent in the FY 2005-2006 budget. This is a decrease of $7,567,639 or 30.2 percent.

Table 5.3

Open Space Fund Sources and Uses, FY 2002-2003 Through FY 2005-2006

	FY 2002-2003 Actual		FY 2003-2004 Actual		FY 2004-2005 Actual		FY 2005-2006 Budget	
	$	%	$	%	$	%	$	%
Sources:								
Total Sources:	**$22,468,780**		**$24,153,178**		**$26,918,583**		**$26,399,467**	
Uses:								
Personnel	12,467,331	47.8	11,585,016	45.3	12,862,449	52.8	15,923,982	57.4
Non-personnel	2,293,839	8.8	385,036	1.5	379,071	1.6	764,904	2.8
Overhead	491,998	1.9	4,617,610	18.1	4,949,214	20.3	6,253,106	22.5
Capital	10,843,139	41.5	8,969,000	35.1	6,150,091	25.3	4,804,435	17.3
Total Uses:	**26,096,307**	**100.0**	**25,556,662**	**100.0**	**24,340,825**	**100.0**	**27,746,427**	**100.0**
Net Sources:	**(3,627,527)**		**(1,403,484)**		**2,577,758**		**(1,346,960)**	
Beginning Fund Balance:	5,830,959		2,024,159		595,875		3,159,613	
Year End Adjustments:	(179,273)		(24,800)		(14,020)		0	
End Fund Balance:	**$2,024,159**		**$595,875**		**$3,159,613**		**$1,812,653**	

Source: Recreation and Park Department

Open Space Fund Property Acquisitions

While the Department can acquire land through gifts, bequests, and inter-agency jurisdictional transfers,[11] the Department's only dedicated funding source for acquiring land is the 5 percent minimum set aside within the Open Space Fund, as specified by Proposition C.

As shown in Table 5.4 below, in the 30 years since 1975 that the Open Space Fund has operated, the City has spent $25,313,955 and accepted land gifts, bequests, and inter-agency jurisdictional transfers to acquire 91.67 acres of land at 56 sites. Of the land acquired:

- 51.45 acres and $8,911,000 (approximately 35.2 percent of the total expenditures) are for undeveloped open spaces.

- 36.75 acres and $8,154,674 (approximately 32.2 percent of the total expenditures) are for parks, playgrounds, community gardens, plazas, and greenscaped stairways.

- 3.47 acres and $8,248,281 (approximately 32.6 percent of the total expenditures) are for recreation centers.

Therefore, while the majority of acres acquired have been for undeveloped open spaces, the total expenditures for the acquisition of undeveloped open spaces are roughly similar to the total expenditures for (a) the acquisition of parks, playgrounds, community gardens, plazas, and greenscaped stairways, and (b) the acquisition of land for recreation centers.

There have been land acquisitions in nine of the 11 Supervisorial districts. The two exceptions are District 4 (the Sunset neighborhood adjacent to Golden Gate Park which incorporates Stern Grove/Pine Lake Park) and District 2 (the Marina, Cow Hollow, and Pacific Heights neighborhoods adjacent to the Presidio and the Golden Gate National Recreation Area).

---

[11] For example, the San Francisco Redevelopment Agency has created 41.3 acres of open space, the majority of which is maintained by the Recreation and Park Department.

Table 5.4

Open Space Fund Property Acquisitions, 1976 - 2005

Acquisition Date(s)	Property	Acres	Acquisition Price	Eminent Domain
1976, 1979, 1997-98	**Bay View Park Open Space**	**26.11**	**$130,000**	
1976	Potrero Del Sol Park	4.58	700,000	
1976	Christopher Playground	6.72	219,624	
1976	**Diamond Heights Lots Open Space**	**3.50**	**400**	
1976	**Valencia and Cunningham Open Space**	**0.24**	**136,500**	
1977	Lakeview / Ashton Mini Park	0.26	37,550	
1977	Kelloch / Velasco Park	1.78	225,000	
1977	**Billy Goat Hill Open Space**	**3.04**	**129,600**	
1977	**Kite Hill Open Space**	**2.19**	**68,000**	
1977, 1979	**14th and 15th Avenues Open Space**	**2.60**	**1,127,500**	
1977, 1985	South of Market Recreation Center	1.02	1,814,281	
1977	**Tank Hill Open Space**	**2.90**	**650,000**	
1978, 1996-97	Brewster Community Garden	0.20	15,000	
1978, 1994-95	Mission Recreation Center	0.63	590,000	
1978	Dorothy Erskine Park	0.79	15,000	
1978, 1985	Boeddeker Neighborhood Park	0.97	1,453,125	Yes
1978	Joseph Conrad Mini Park	0.07	97,500	
1979	Juri Commons Park	0.24	62,400	
1979	**Duncan / Castro Streets Open Space**	**0.34**	**126,000**	
1979	Seward Mini Park	0.41	274,500	
1980	**Monterey Conservatories Open Space**	**0.19**	**68,000**	
1980	Sgt. John Macaulay Park	0.20	310,800	
1981	Grand View Park	0.61	520,000	
1982	No acquisitions at new sites			
1983	Noe / Beaver Mini Park	0.06	165,000	Yes
1983	Saturn Street Steps	0.10	140,000	
1983, 1984	Washington / Hyde Mini Park	0.15	71,300	
1984	**Edgehill Mountain Open Space**	**0.62**	**506,500**	**Yes**
1985	Coleridge Mini Park	0.21	150,000	
1986	No acquisitions at new sites			
1987	No acquisitions at new sites			
1988	No acquisitions at new sites			
1989	Richmond Recreation Center[12]	0.83	144,000	
1989, 1990	Japanese Peace Plaza	0.72	0	
1990, 1991	India Basin Park	5.41	0	Yes
1990, 1991	Tenderloin Recreation Center	0.61	0	
1991, 1992, 1993	**Rock Outcropping Open Space**	**1.33**	**924,000**	**Yes**
1991	**Great Highway / Balboa Natural Area Open Space[13]**	**0.83**	**1,494,500**	**Yes**

---

[12] This 99-year lease is administered by the San Francisco Unified School District.

[13] Co-administered by the Public Utilities Commission.

Acquisition Date(s)	Property	Acres	Acquisition Price	Eminent Domain
1992	No acquisitions at new sites			
1993	Who Hei Yuen Park and Recreation Center	0.38	5,700,000	Yes
1994	Brooks Park[14]	0.80	49,000	
1995, 1996	**Bocana Street Open Space**	**0.49**	**685,000**	
1995, 1996	Mullen Peralta Mini Park	0.04	95,000	
1995	**O'Shaugnessy Hollow Open Space**	**2.45**	**525,000**	Yes
1996	No acquisitions at new sites			
1997, 2001	**Hawk Hill Open Space**	**3.96**	**2,340,000**	Yes
1997	Hyde / Turk Mini Park	0.11	0	
1998	Lessing / Sears Mini Park[15]	0.06	0	
1998, 2001	Palou / Phelps Mini Park	0.86	234,375	
1998	Parque de los Ninos Unidos	0.55	1,075,000	
1998	15th Avenue Steps	0.62	506,500	
1999	No acquisitions at new sites			
2000	No acquisitions at new sites			
2001	Esprit Park	1.84	0	
2001	**Edgehill Mountain Open Space**	**0.32**	**0**	
2001	Bessie Carmichael Park	2.53	385,000	
2002	McLaren Park extension	0.11	0	
2002	Ferry Park	1.70	0	
2003	Page Street Gardens	0.15	675,000	
2004	Portola Park	0.60	0	
2004	Page Street Community Garden	0.08	678,000	
2004	Geneva Office and Carbarn	2.77	0	
2005	Hayes Green Park	0.45	0	
2005	**Roosevelt and Henry Open Space**	**0.34**	**0**	
TOTALS:		**91.67**	**$25,313,955**	

Summary by Category:	Acres	Acquisition Price	% of Total Expend-itures
Undeveloped Open Spaces	**51.45**	**$8,911,000**	**35.2**
Parks, Playgrounds, Community Gardens, Plazas, and Greenscaped Stairways	**36.75**	**8,154,674**	**32.2**
Recreation Centers	**3.47**	**8,248,281**	**32.6**
Totals:	**91.67**	**$25,313,955**	**100.0**

Source: Recreation and Park Department

---

[14] Co-administered by the San Francisco Unified School District.

[15] This is a lease which expires in 2094.

Table 5.5 below shows the five property acquisitions currently in negotiation which, if successfully concluded, will result in an additional 3.71 acres of undeveloped open space (1.40 acres), and parks and community gardens (2.31 acres).

Table 5.5

Open Space Fund Property Acquisitions Currently in Negotiation

Property	Acres	Acquisition Price	Status	Eminent Domain
701 Lombard Street	0.09	In litigation	Ongoing	Yes
Edgehill Mountain Phase I Extension Open Space	**1.40**	**$3,200,000**	**Ongoing**	
Visitacion Valley Greenway (REIS tracts)	1.91	Owned by PUC which has agreed to transfer to RPD at future date	Ongoing	
Le Conte Mini Park	0.16	Gift	Ongoing	
Dearborn Community Garden	0.15	Gift	Ongoing	
Total Acres:	**3.71**			

Source: Recreation and Park Department

Property Acquisitions Policy

Unlike the land holdings of other City departments, Recreation and Park Department land can only sold with voter approval, as happened with the sale of the land parcel surrounding the Mt. Davidson cross. Therefore, open space advocates regard the Recreation and Park Department as a safe repository for publicly held land holdings.

Inevitably, in a City as densely populated as San Francisco, with a paucity of open space, the purchase of expensive properties for recreation and park purposes is a highly political process. Due to the ongoing acquisition expenses related to 701 Lombard Street and the Edgehill Mountain Phase I Extension open space, both adjacent to existing Recreation and Park Department land holdings, the Open Space Fund will be unable to fund new land acquisitions until 2008. The Park, Recreation and Open Space Advisory Committee, which is responsible for establishing a list of land for acquisition, has expressed concern that neither of these acquisitions increase the number of people in the City who can now walk to open space which is useable for recreational purposes. The Park, Recreation and Open Space Advisory Committee also questions whether sufficient space is being added for population growth, particularly on the eastern side of the City. Consideration needs to be given to connectivity between existing parks and open spaces, given the public's expressed preference for hiking and biking trails. To date, the Department has not created explicit criteria or prioritization for the use of Open Space Fund monies, focusing instead on purchasing available properties.

In order to provide itself with useful analytical tools during the property acquisition process, the Department, with input from the Park, Recreation and Open Space Advisory

Committee, is currently developing a property acquisitions policy. As stated in the draft *Recreation and Park Acquisition Policy* (November 1, 2005), "The intent of this policy is to ensure the Department acquires open space showing evidence of its usability for active and passive recreation, filling the most severe gaps in service, and avoiding acquisitions that create an unsupportable fiscal burden to the system as a whole." To this end, the draft acquisitions policy is based on the following principals:

- High Need Areas: Acquisitions requiring expenditure of Open Space Fund monies should be in high-need areas, for example where there is poverty, high population density, a high proportion of children and seniors, or lack of existing open space. The goal should be distributional equity. There is a need for the Recreation and Park Department and the City Planning Department to align their "high needs area map" methodologies. Currently, the Recreation and Park Department generates high needs area maps based on 2000 census data which do not align with the General Plan's high needs area maps which were based on 1980 census data.

- Minimum site suitability and park development criteria: Sites under consideration for acquisition should meet basic suitability criteria for recreation purposes such as minimum size, slope, accessibility, shade, views, and environmental safety (absence of hazardous materials, safety risks, or seismic risks). Sites should not create liability issues. Special features would be taken into consideration, such as (a) the site is threatened by private sector development, (b) the site is contiguous with existing open space, thereby creating habitat, recreational, or trail benefits, and (c) the presence of a landmark building, sensitive habitat, waterfront access, or native trees.

- Financial feasibility: Prior to acquisition, sufficient funding should be identified for the future operation and maintenance of the site. Sites need to be affordable to maintain. Funding should come from alternative funding sources wherever possible. The transfer of dedicated operational funds along with properties transferred to the Department from other agencies would ensure that the Department is not burdened by those transferred properties' ongoing staffing and maintenance costs. The Department wishes to avoid negative impacts on the operation and maintenance of existing recreation and park facilities, even when a new property would be transferred from another agency or bequeathed by a private citizen with no purchase cost to the City.

A formal property acquisitions policy will enable the Department to identify properties that it wants to acquire in order to achieve its long term recreation and park policy goals. This would reduce community and Department staff concern that the land acquisition process can be driven by property sellers or particular neighborhoods' desire to preserve their green views. As an alternative to property acquisitions, the draft property acquisitions policy proposes committing the Department to expanding recreational opportunities through collaborative partnerships with the San Francisco Unified School District (for athletic facilities and play structures), the Port (for water-based recreation), the Department of Public Works (where vacant right of way properties could fill neighborhood recreation and park facility gaps), and the owners of public and private properties (to improve access to existing parks and recreational facilities).

The Department is currently undertaking a consultation process on the draft acquisitions policy with the public and the Park, Recreation and Open Space Committee, with a view to adoption of a finalized acquisitions policy by the Recreation and Park Commission in February of 2006.

Conclusions

The Department could not provide documentation to the Budget Analyst as to whether the Department fully complied with the Charter's Open Space Fund requirements between FY 1975-1976 and FY 1994-1995. However, the Department complied with the Open Space Fund allocation requirements during the last five years of Proposition E (FY 1995-1996 - FY 1999-2000). The Department has also complied with the Open Space Fund allocation requirements under Proposition C (FY 2000-2001 to date), with the exception that the Department has failed to routinely budget 3 percent of the total fund for an undesignated contingency reserve, as required by Proposition C. This needs to be rectified to ensure compliance with Charter requirements.

The Department is developing a much needed property acquisitions policy to guide future Open Space Fund property acquisitions. A formal property acquisitions policy will enable the Department to identify properties that it wants to acquire in order to achieve its long term recreation and park policy goals.

Recommendations

The Recreation and Park Department General Manager should:

5.1 Ensure that the Department complies with the Proposition C requirement for a 3 percent undesignated contingency reserve.

5.2 Ensure that the property acquisitions policy is formally adopted by the Recreation and Park Commission in 2006.

Costs and Benefits

The Department needs to budget 3 percent for its undesignated contingency reserve in the Open Space Fund in order to comply with the governing legislation. The reserve would improve the financial condition of the Open Space Fund and would ensure that funding for unanticipated needs is available. In FY 2005-2006, the $779,808 budget for the undesignated contingency reserve is $52,585 less than full 3 percent required ($832,393).

A formal property acquisitions policy will enable the Department to identify proactively properties that it wants to acquire in order to achieve its recreation and park policy goals, rather than relying on a property acquisition process driven by property sellers or particular neighborhoods' desire to preserve their green views.

6. The Golf Fund

- **At a final cost of $23,611,457, the renovation of Harding and Fleming Golf Courses was $7,583,847 or 47.3 percent over the original estimate of $16,027,610. After the City failed to obtain private monies to upgrade the golf courses, the City borrowed $16,627,627 in State Proposition 12 monies to complete the project. State Proposition 12 monies are intended primarily to fund neighborhood recreation and park projects in historically under-served or economically disadvantaged communities. Thus, by delaying the availability of State Proposition 12 funds for neighborhood projects, the Harding and Fleming Golf Courses' refurbishment was achieved at a significant opportunity cost to the rest of the City's recreation and park system.**

- **The Golf Fund is obligated to repay the $16,627,627 in State Proposition 12 monies and $2,238,218 in matching Open Space Funds, plus interest, to the Open Space Fund within 25 years. To date, the Department has only repaid $490,000 in interest payments. The Department will need to increase the FY 2005-2006 budgeted payment of $544,467 to $935,420 in order to meet the correct debt service schedule. The Department should repay the Open Space Fund as early as possible so that repayment will not take the full 25 years, thereby increasing the amount of funding available in the short to medium term for the Capital Program which is currently significantly under-funded.**

- **The Golf Fund is currently unable to fully recover the operating and debt repayment costs of the City's golf courses, let alone create reserves for future capital improvements at the substandard Lincoln and Sharp Golf Courses, or generate funding for other recreation and park facilities. In FY 2004-2005, the Golf Fund required a $536,372 allocation from the General Fund in order to balance. The Golf Fund receives insufficient revenues from (a) the fee structure and restrictions on non-resident play at Harding and Fleming Golf Courses, and (b) the decreasing play at Lincoln, Sharp, and Golden Gate Park Golf Courses.**

- **The October of 2005 World Golf Championships - American Express Championship tournament held at Harding and Fleming Golf Courses resulted in direct costs exceeding revenues by $141,619. This represents a significant opportunity cost for the Department because it is equivalent to the annual salary and mandatory fringe benefit costs of between 2.18 and 2.65 full time gardeners. While ensuring that such tournaments continue in order to benefit the City's tourism revenues, the Department should renegotiate the Master Tournament Agreement with PGA Tour, Inc. to ensure that the City makes a profit in the future.**

Over the last decade, the City has been grappling with the question of how to finance much needed capital improvements to the five golf courses operated by the Recreation and Park Department: the Golden Gate,[1] Harding and Fleming,[2] Lincoln,[3] and Sharp[4] Golf Courses. (A sixth City-owned golf course, the nine-hole Gleneagles Golf Course in McLaren Park, has been operated by leaseholders since 1980.[5]) To date, the City has achieved only partial success. While the Department has overseen a comprehensive refurbishment of the Harding and Fleming Golf Courses, and maintained the Golden Gate Golf Course adequately, the Lincoln and Sharp Golf Courses remain in a poor state of repair. Further, the refurbishment of the Harding and Fleming Golf Courses was achieved at a significant opportunity cost to the rest of the City's recreation and park system.

History

The City's ongoing practice has been to contract out all golf course operations except golf course maintenance which it has staffed by City employees. Historically, under this model, the City has funded neither the Department nor its leaseholders and contractors sufficiently to ensure the necessary level of ongoing investment in capital improvements and facility maintenance services. In the years that the golf courses generated surplus golf revenues, the surplus golf revenues were routinely absorbed by the General Fund.

Attempts to Privately Finance Golf Course Renovations

In FY 1996-97, the Mayor created a Mayor's Task Force on Golf to determine how to upgrade the five golf courses operated by the City. On October 16, 1997, the Department approved an assignment of the lease for the Harding, Fleming, and Lincoln Golf Courses to Arnold Palmer Golf Management Company, LLC for the six month duration of the lease term, pending the planned issuance of long-term leases in May of 1998. CCA Silband/GolfCorp, which had held the 15 year lease to operate Harding, Fleming, and Lincoln Golf Courses since April 22, 1983, wanted to assign the six month remainder of its lease to Arnold Palmer Golf Management Company LLC after CCA Silband/GolfCorp had decided that it would not rebid once its lease expired on April 30, 1998 due to dissatisfaction with the profit margin and the City's failure to invest in major course improvements. Further, a Controller's audit of CCA Silband/GolfCorp's compliance with the reporting and payment provisions of its lease, issued on October 16, 1997, was critical of CCA Silband/GolfCorp's reporting and payment procedures.

---

[1] The nine-hole Golden Gate Golf Course is located in Golden Gate Park.

[2] The 18-hole Harding Golf Course opened on July 18, 1925. The nine-hole Fleming Golf Course was opened in the center of the Harding Golf Course in 1961. Both the Harding and Fleming Golf Courses are located on land owned by the Public Utilities Commission which, in the 1950s, agreed that the Recreation and Park Department should manage and gain all revenues from the site.

[3] The 18-hole Lincoln Park Golf Course opened in 1910.

[4] The 18-hole Sharp Park Golf Course is located on land in Pacifica bequeathed to the City for recreational purposes.

[5] A new tenant took over the Gleneagles Golf Course lease in December of 2004 and, since that time, has made significant improvements to the golf course.

Previously, in 1995, Arnold Palmer Golf Management Company LLC had leased the Presidio Golf Course from the National Park Service and, through increases in green fees, had financed capital upgrades. The Recreation and Park Department was interested to see if a private golf management company, such as Arnold Palmer Golf Management Company LLC, would similarly finance capital improvements at the Harding, Fleming, and Lincoln Golf Courses. One of the assignment agreement's provisions was for Arnold Palmer Golf Management Company LLC to expend $100,000 on refurbishment of the Harding and Fleming Golf Courses' driving range and clubhouse and the Lincoln Golf Course clubhouse in fulfillment of a punch list of required improvements attached to the leases. Arnold Palmer Golf Management Company LLC swiftly complied with this contractual requirement.

In 1998, key members of the San Francisco golfing community convinced the Professional Golfers' Association (PGA) Tour, Inc. and the City that the Harding and Fleming Golf Courses could be renovated to PGA Tour, Inc.'s tournament standards. Discussion commenced between PGA Tour, Inc. and the City about the Harding and Fleming Golf Courses hosting PGA Tour Championship tournaments,[6] and housing a First Tee Program there, if the golf courses were renovated. The First Tee Program was launched in 1997 by the World Golf Federation and PGA Tour, Inc. to promote golf among youth. Staging PGA Tour tournaments on municipal courses was seen by PGA Tour, Inc. as a way of encouraging access to golf, and teaching certain core values through golf, to a broader range of the population. No major tournament had been held at the Harding and Fleming Golf Courses since 1981.[7] Although the Harding and Fleming Golf Courses continued to operate at near effective capacity, by June of 1998 their condition had deteriorated to the point that their fairways served as a parking lot for attendees at the United States Open Championship held at the adjacent private Olympic Club.[8] Arnold Palmer Golf Management Company LLC and other private golf management companies expressed their interest in making the necessary capital investments to improve Harding and Fleming Golf Courses so that PGA Tour Championship tournament could be held there early in the next decade.

The City began investigating how to privately fund capital improvements for its golf courses which would require major capital investment, the retention of the Department's maintenance crews, major tournaments at the Harding and Fleming Golf Courses, and ongoing maintenance at a high level. During this time, amid considerable public and union concern about any future contractor's impact on green fees and City employees, Arnold Palmer Golf Management Company LLC continued on a month-to-month basis. Due to the lack of a long-term contract, Arnold Palmer Golf Management Company LLC was reluctant to make any major capital investments.

---

[6] The PGA Tour Championship is one of golfs highest profile international tournaments, featuring the PGA Tour's top 30 money winners.

[7] A PGA Senior Tournament, the Eureka Federal Savings Pro-Am, was held at the Harding and Fleming Golf Courses in 1981.

[8] For a week, regular golf course operations ceased at both Harding and Fleming Golf Courses in return from the United States Golf Association of (a) $50,000 in rent, (b) $150,000 in golf course improvements, (c) the services of a United States Golf Association agronomist, (d) 75 United States Open Championship tickets for use by San Francisco juniors, and (e) repair of any damage to the courses within 48 hours.

In June of 1999, Economics Research Associates, which had been retained by the City to evaluate the market and economic viability of the proposed golf course redevelopment, and to assist in developing an implementation strategy, issued a report on the *Reconstruction Potential of the Harding Park/Fleming Golf Complex.* The consultants determined that "Harding Park has extraordinary potential to be a very valuable asset for the City and its residents," and that the PGA Tour, Inc.'s interest in using the Harding and Fleming Golf Courses for the PGA Tour Championship "has offered the City the means to capitalize on this opportunity and realize the full potential of the asset." The consultants recommended the long-term retention of a professional golf course management firm to manage, operate, and renovate the courses, while retaining the Department's maintenance staff.

On July 1, 1999, the Mayor and PGA Tour, Inc. announced a private-financing plan which would privately fund the course improvements while ensuring an ongoing role for the Department's maintenance staff. The mayoral announcement was followed by a Request for Qualifications (July 16, 1999) and a Request for Proposals (September 20, 1999) for the lease, management, operation, and renovation of Harding and Fleming Golf Courses whereby:

- A leaseholder, to be selected through competitive bid for a 35 year ground lease, and corporate sponsors would invest an estimated $9 million, plus construction financing costs, into refurbishing Harding and Fleming Golf Courses' greens, clubhouse, and maintenance equipment. There would be no taxpayer contribution. The leaseholder would guarantee the City (a) a "holding rent" of $1 million during construction,[9] (b) a base annual rent of $1.7 million,[10] and (c) City participation in surplus revenues. The leaseholder would fulfil these revenue guarantees while minimizing the impact on residents' green fees and current levels of play. Instead, a limited number of non-resident and tourist[11] rounds would bear a greatly disproportionate share of the capital costs.

- PGA Tour, Inc. committed to bring the PGA Tour Championship to the Harding and Fleming Golf Courses every three years, beginning in November of 2002.

- The designs for the course renovations would be provided by the PGA Tour's Design Services, Inc. Both the Department and PGA Tour, Inc. would both have review and approval rights over the golf course designs and construction.. Construction oversight services would be donated by Mr. Sandy Tatum.

- A First Tee Program would be housed at the Fleming Golf Course with its own practice area and teaching facility (a renovation of the restaurant which existed at that time).

---

[9] The $1 million "holding rent" was intended as a capitalization and recovery of the City's net income stream during the 12 month construction period.

[10] The $1.7 million base annual rent included the costs of all City maintenance employees.

[11] "Tourists" are defined as players from outside the nine-county Bay Area.

- Recreation and Park Department staff would be retained to maintain the Harding and Fleming Golf Courses. The number of City staff maintaining the courses would increase. The leaseholder would be required to provide specialized training.

It has been estimated that the PGA Tour Championship tournament could generate up to $40 million in revenues for the City per event.[12] It is not possible to validate this estimate because the City's Convention and Visitors Bureau does not collect statistics on tourism generated by mass events.

Four management firms submitted final bids: American Golf Corporation, Arnold Palmer Golf Management Company LLC, Kemper Sports Management, and BSL Golf Corporation.

On January 20, 2000, the Recreation and Park Commission selected Arnold Palmer Golf Management Company LLC which undertook to:

- Make annual lease payments of $1.8 million (Consumer Price Index adjusted over the lease term) to the City over 35 years, plus participation rent, for a projected average total rent of $3.8 million per year, and the mandatory $1 million in "holding rent" during the 12 month construction period.

- Invest $11.3 million into the Harding and Fleming Golf Courses and their clubhouse.

- Reserve $250,000 annually for a capital improvement program (Consumer Price Index adjusted).

- Invest $10 million in capital improvements in the 21st year of the contract.

- Donate 10 percent of its after-tax net profits to San Francisco-based companies, groups, or non-profit organizations, selected by the City.

- Retain City staff as the Harding and Fleming Golf Courses' maintenance crews, and fund a $100,000 training program for them.

- Fund $800,000 in equipment purchases.

- Ensure that a PGA Tour, Inc. tournament could be held at the Harding and Fleming Golf Courses every three years beginning in 2002.

- Provide a site for the First Tee Program with the goal of serving 1,500 disadvantaged youth yearly after the first three years.

- Minimize green fee increases for residents and guarantee 65 percent of total tee times for residents, with much higher fees for non-residents and tourists.

---

[12] A Recreation and Park Department memorandum to the Budget Analyst's Office prepared by Ms. Jaci Fong (March 20, 2002) stated "... the PGA TOUR estimates the economic impact to the community at $30 to $40 million each time the Tournament is hosted" (page 3).

However, a year later on January 16, 2001, Arnold Palmer Golf Management Company LLC withdrew from the project citing concerns about the economy and likely project profitability given the City's strict requirements regarding low resident greens fees, high percentage of resident play, and retention of City staffing and control. At that time, there was a downturn in the golf financing business, with the Bank of America closing its golf course development lending division, and rising interest rates. Arnold Palmer Golf Management Company LLC was facing loan interest rates approximating 12 percent which were considerably higher than originally anticipated. Construction costs were also rising. In addition to withdrawing from the Harding and Fleming Golf Course Project, Arnold Palmer Golf Management Company LLC ceased operating the pro shops at the Harding and Fleming, Lincoln, and Golden Gate Golf Courses. Subsequent discussions about private financing with Kemper Sports Management, the second choice during the 2000 bidding process, and American Golf Corporation also ended unproductively. In the meantime, after a competitive bid process, the Harding and Fleming Golf Courses' operations were contracted out to a former employee of Arnold Palmer Golf Management Company, LLC on a month-to-month basis.

Previously, using the public-private partnership model, the City had successfully used private investment to pay for capital improvement projects in exchange for long-term leasehold interests in City-owned facilities. Key examples included the renovations of the Beach Chalet in Golden Gate Park, and Pier One and the Ferry Building at the Port. However, this approach did not work for the Harding and Fleming Golf Course renovation projects given the state of the economy at that time and the City's restrictive policy parameters with regard to lower resident fees, the required amount of resident play, the mandatory use of the Department's maintenance workers, and overall City control.

Public Financing of Golf Course Renovations

During 2001, the City considered the public financing options available for refurbishing Harding and Fleming Golf Courses without issuing new general obligation bonds which require two-thirds voter approval or new lease revenue bonds which require majority voter approval. The available public financing options considered included:

- Creation of a non-profit corporation closely controlled by the City to lease the golf courses from the City and pay for the improvements by issuing debt on behalf of the City. This model was used for the construction, improvement, and/or renovation of some of the City's parking garages, including Fifth and Mission, Sutter and Stockton, and Union Square Park. The debt would be secured by golf course revenues.

- City-issued bonds backed by the Open Space Fund, to be repaid by golf course revenues.

- Financing by the 2000 Neighborhood Park Bonds, backed by the Open Space Fund, and repaid by golf course revenues. Subsequently, the Recreation and Park

Department identified unspent State Proposition 12[13] money which could be used for the Harding and Fleming Golf Courses' renovation projects instead of the 2000 Neighborhood Park Bonds. Revenues from the renovated golf courses could be paid back to the Open Space Fund and, in effect, the State Proposition 12 money would be used twice. This approach, which lowered the borrowing costs and removed concerns about privatization, is discussed in more detail below.

In April of 2002, the Board of Supervisors approved a variety of key initiatives:

1. The renovation of Harding and Fleming Golf Courses would be funded by borrowing $13,127,627 in State Proposition 12 funding to be reimbursed by greens fees through a new "San Francisco Recreation and Park Golf Fund." The total estimated renovation projects cost was $16,027,610, including a new clubhouse. At that time, the Department estimated that only $26,400 (for championship golf tees) of the total $12,791,110 in estimated construction costs for the Harding and Fleming Golf Courses' renovation projects were attributable to PGA Tour Championship requirements. The Department contended that all other renovation costs would have been incurred anyway. By the time the Harding and Fleming Golf Course renovations were complete, the total cost had increased from $16,027,610 to the $23,611,457 shown in Table 6.1 below. This represents a total increase of $7,583,847 million or 47.3 percent. According to a March 4, 2004 memorandum from the Department to the Budget Analyst, the additional expenditures were required due to "unforeseen project costs" related to (a) mandatory destruction of old wells discovered on the site, (b) demolition of buildings previously intended for re-use, (c) golf course drainage and erosion problems, (d) additional maintenance building and clubhouse facilities, and (e) new utilities.

2. The creation of the Golf Fund. By adding Section 10.100-256 to the San Francisco Administrative Code, the Board of Supervisors created the San Francisco Recreation and Park Golf Fund, effective July 1, 2002, into which all revenues derived from the City's golf courses, including greens fees and concession revenues, would be restricted to the following uses (listed in priority order):

   - Operations and maintenance of the City's golf courses.

   - Annual set aside of $250,000 (Consumer Price Index adjusted) for capital improvements and facilities maintenance at the Harding and Fleming Golf Courses.

   - Reimbursement to the Open Space Fund for the full cost of the Harding and Fleming Golf Courses' renovation projects paid from the proceeds of State Proposition 12 grant funding and matching Open Space Fund monies, plus interest.[14] In any year that the actual annual net cash flow received from the

---

[13] State Proposition 12 was approved by voters in November of 2002.

[14] Each year the Recreation and Park Commission is charged with determining an interest rate, provided that the chosen interest rate would at least equal the greater of (a) the City's cost of borrowing funds under the Open Space Fund if and to the extent the City has outstanding bonded indebtedness under the Open

Harding and Fleming Golf Courses exceeds the projected net cash flow, 25 percent of that amount is to be applied to the above reimbursement to the Open Space Fund, increasing to 50 percent if the net cash flow exceeds $1 million. Reimbursement commences upon completion of the project and is required to be completed within 25 years.

- Capital improvements at any of the golf courses.
- Debt service related to capital improvements at any of the golf courses.
- Capital improvements to Recreation and Park Department properties contiguous to all of the Department's golf courses.

3. New greens fees for the Harding and Fleming Golf Courses.

4. A Master Tournament Agreement with PGA Tour, Inc. through December 31, 2015 with three nine-year extension options. Under that Master Tournament Agreement, PGA Tour, Inc. would bring a PGA Tour Championship tournament to the Harding and Fleming Golf Courses three times between 2006 and 2015, with PGA Tour, Inc. paying the City:

   - An up-front use fee of $250,000 (Consumer Price Index adjusted).
   - Up to an additional $130,000 to defray the City's costs related to each tournament in excess of the $250,000 use fee.
   - Up to $500,000 to the First Tee Program per tournament (Consumer Price Index adjusted), estimated to serve 400 youth annually. Of that amount, $250,000 was automatically payable for each PGA Tour Championship tournament. Up to a further $250,000 was payable if PGA Tour, Inc. realized net income from a tournament.
   - A one-time contribution of up to $250,000 for improvements to Harding and Fleming Golf Courses and their surrounding areas.
   - 50 percent of all remaining net revenues.

   In return, the City would maintain the Harding and Fleming Golf Courses up to PGA Tour, Inc.'s tournament standards. The Department estimated that maintaining the Harding and Fleming Golf Courses to that standard would cost $315,000 in overtime and $50,000 in materials and supplies, for a total cost of $365,000 per tournament, and that the courses would lose an estimated $148,500 - $168,500 in revenues per tournament. The Department projected that these costs and lost revenues would be

---

Space Fund at the time the Commission makes such determination, or (b) 1 percent less than the prime domestic commercial lending rate in effect at such time by a major financial institution (to be selected by the City), compounded annually. The payments would be amortized over 25 years, subject to acceleration if the City earns bonus profits.

more than offset by the PGA Tour, Inc.'s payments to the City and by increased use of Harding and Fleming Golf Courses by higher paying non-resident and tourist golfers. Once the Harding and Fleming Golf Courses' renovation projects were complete, the Department anticipated an ongoing materials and supplies cost increase of $100,000 annually, plus the labor costs of an additional 9.31 full time equivalent staff. These additional costs were to be paid for by the Golf Fund.

Subsequently, the PGA Tour Championship was relocated to Atlanta, Georgia, the home of the PGA Tour Championship's new sponsor, Coca Cola. In March of 2004, the Master Tournament Agreement was amended to provide for the use of the Harding and Fleming Golf Courses by either the PGA Tour Championship tournament, the American Express Championship tournament, or the NEC Invitational tournament. Under the amended Master Tournament Agreement, there would be five tournaments held over a 15 year period between 2005 and 2020, with three nine-year extension options. The Master Tournament Agreement's financial terms were altered to:

- An up-front use fee of $500,000 per tournament (Consumer Price Index adjusted). This would result in $2,500,000 (plus any Consumer Price Index adjustments) of direct payments to the City over 15 years.

- A set payment of $500,000 per tournament (Consumer Price Index adjusted) to the First Tee Program. This would result in $2,500,000 (plus any Consumer Price Index adjustments) of direct payments to the First Tee Program over 15 years.

- A one-time contribution of $100,000 to defray the design costs for a new clubhouse.

- Pro bono design services for the Lincoln and Sharp Golf Courses valued at $1 million. The Department advises that this investment has not yet been made because it would not be prudent to have the PGA Tour, Inc. embark on design services for the golf courses until the Department has developed overall plans for each golf course. For example, in the case of Lincoln Golf Course, the Department might opt to relocate the clubhouse, the cart barn, and/or the maintenance facility. Relocation of any of these buildings might change the golf course's design and routing. In addition, a sizable portion of the services included in the $1 million estimate would occur during the actual construction phase. Construction funding has yet to be identified. The Department has no estimate as to when the PGA Tour, Inc.'s design services will be requested.

- Periodic agronomic reviews and training for City golf course maintenance staff, approximately three times per year.

- 6.66 percent of any gross operating revenues in excess of $10 million for each tournament, to be paid to the City and the First Tee Program.

> Therefore, under the revised Master Tournament Agreement, the City would receive between \$120,000 and \$250,000 more per tournament (Consumer Price Index adjusted), the First Tee Program would be guaranteed to receive a full \$500,000 per tournament (Consumer Price Index adjusted), there would be two more tournaments, and the first tournament would be held in 2005 rather than 2006. PGA Tour, Inc. maintained its right to pull out of the agreement if the Harding and Fleming Golf Courses' conditions are not maintained to PGA Tour, Inc.'s standards.

The Harding and Fleming Golf Course reopening date was delayed from July 4, 2003 to August 22, 2003 for a variety of reasons:

- Construction of the Harding and Fleming Golf Courses' renovation projects began in May of 2002. Erosion and drainage problems caused by storms in December of 2002 required landscape reconstruction and retrofitting of the drainage sumps at a cost of \$2,435,390 to the City. The drainage system had been designed by the pro bono PGA Tour Design Services, Inc. Therefore, there was no contract against which the City could seek damages. While PGA Tour, Inc. donated additional design services to rectify the erosion and flooding problems, it provided no extra funding.

- The City's Purchaser objected to the Recreation and Park Department's sole source purchasing of \$1.2 million worth of new maintenance equipment and required a competitive bid process which also delayed the reopening date.

- It took longer than scheduled for the Department's maintenance crews to achieve the required golf course maintenance standards, in part due to the delay in obtaining the required new maintenance equipment.

In April of 2003, after a competitive bid process, the City contracted with Kemper Sports Management to manage the Harding and Fleming Golf Courses at a cost of \$192,000 per year, plus 5 percent of any gross revenues above \$6 million annually. Kemper Sports Management was selected in part for its experience in running major golf tournaments and youth golf programs, and working with municipalities. The maintenance crews continue to be City employees managed by Recreation and Park Department supervisors. A Kemper Sports Management agronomist[15] serves as liaison between Kemper Sports Management and the Department's maintenance crews.

The Harding and Fleming Golf Courses reopened on August 22, 2003 without a new clubhouse due to cost overruns. However, PGA Tour, Inc. was not prepared to use the temporary clubhouse made out of trailers at any future tournaments. Therefore, a new clubhouse was completed in August of 2005 at a cost of \$8.3 million from a variety of public and private funding sources (see Table 6.1 below). The First Tee Program did not commence until April of 2004 due to the need for ongoing fundraising, volunteer training, and the beginning of spring weather.

---

[15] An agronomist is an individual trained and experienced in the application of various soil and plant sciences.

In March of 2004, the City entered into a contract with PGA Tour, Inc. for five tournaments at the Harding and Fleming Golf Courses during a 15 year period between January 1, 2005 and December 31, 2020. On June 22, 2004, the Mayor and PGA Tour, Inc. officially announced that the World Golf Championships - American Express Championship would be held at the Harding and Fleming Golf Courses in October of 2005, as the first of five PGA Tour tournaments to be played at the Harding and Fleming Golf Courses over 15 years, so long as the golf course conditions continued to meet PGA Tour, Inc.'s standards. The World Golf Championships - American Express Championship proceeded smoothly between October 4 - 9, 2005. Discussions are being held with the United States Golf Association about using the Harding and Fleming Golf Courses for future United States Golf Association tournaments. An analysis of the costs and revenues associated with the World Golf Championships - American Express Championship is outlined below.

Funding Sources

Table 6.1 below summarizes the variety of funding sources for the Harding and Fleming Golf Courses' renovation projects:

Table 6.1

Total Appropriations for the Harding and Fleming Golf Courses' Renovation Projects, By Funding Source

Project	Project Status	State Proposition 12 Grant Funds	Matching Open Space Fund	Gifts	Other Departments' Funds	Total
Golf Course Renovation	Closed Out	$9,529,339	$1,369,498	-	-	$10,898,837
Maintenance Facility	Completed	2,071,088	402,412	-	-	2,473,500
Parking Lot	Closed Out	1,527,200	426,308	-	-	1,953,508
Clubhouse	Construction	3,500,000	40,000	3,395,612	1,350,000	8,285,612
Totals:		**$16,627,627**	**$2,238,218**	**$3,395,612**	**$1,350,000**	**$23,611,457**

Source: Recreation and Park Department, *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*

The Department's *Assessment Study: 1998 - 1999* (September of 1999) estimated the costs of renovating the Harding and Fleming Golf Courses at $5.5 million.[16] The final expenditure was $10,703,593, or $195,244 less than the total appropriation of $10,898,837 shown in Table 6.1 above. In addition, the Recreation and Park Department received $750,000 worth of golf course design and engineering services provided by PGA Tour, Inc. under a private contract with the First Tee Program which, in turn, gifted those services to the City.

---

[16] The maintenance facility, parking lot, and clubhouse capital improvement projects were not identified in the *Assessment Study: 1998 - 1999*.

The final expenditure of $2,421,258 on the maintenance facility was $52,242 less than the total appropriation of $2,473,500.

In terms of the above $195,244 and $52,242 under-expenditures, the Department advises that the maintenance facility project is not yet completely closed out, and therefore the Department must (a) include the final labor cost and encumbrance information from the Department of Public Works, and (b) make final accounting adjustments to the split between State grant funds and local funds. Although maintenance facility construction was substantially complete by September of 2004, when Department staff moved in and began maintaining the Harding and Fleming Golf Courses from the new facility, the contractor had multiple stop notices totaling over $200,000 filed against the project which have only recently been settled legally. The Department can now proceed with final acceptance, final payment, and project close out, which is expected to take two to three months. Once the project has been completely closed out, any surplus local funds will be redistributed to other capital projects which are short of funds.

State Grants

As shown in Table 6.1 above, the funding sources for the Harding and Fleming Golf Courses' renovation projects included $16,627,627 from State Proposition 12 (Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Act of 2000) grant funds which represented approximately 70.4 percent of the total appropriations of $23,611,457 for the renovation projects. For the completed golf course, maintenance facility, and parking lot projects, the City received $13,127,627 in State Proposition 12 grant funds from two local assistance grant programs designed to support high-priority parks and recreation projects:

- $8,111,000 under the Per Capita Grant Program. This is a block grant program determined by the City's population.

- $5,016,627 under the Roberti-Z'berg-Harris Urban Open Space and Recreational Program (RZH Program). This block grant is intended for "heavily urban" areas such as San Francisco. The grant funds were intended for projects which meet the needs of those living in the "most heavily populated and most economically disadvantaged areas within each jurisdiction."

The Department used a further $3,500,000 in State Proposition 12 Per Capita Program grant funds on the clubhouse project.

On March 4, 2003, the Park, Recreation and Open Space Advisory Committee supported the Department's recommendation that the State Proposition 12 grant funds be borrowed for the Harding and Fleming Golf Courses' renovation projects and repaid:

> ... at a rate equal to the annual fiscal year interest rate earned by the City and County of San Francisco's 'Pooled Interest Account' invested and managed by the Treasurer. The rate will vary annually, based on the prior year's interest rate. The loan will be repaid in 25 installments paid at one installment per year with revenue from the Golf Fund.

The Park, Recreation and Open Space Advisory Committee supported the proposal that State Proposition 12 grant funds be borrowed for the Harding and Fleming Golf Courses' renovation projects because (a) projected surplus Golf Fund monies would be available to fund improvements to parks adjacent to the Harding and Fleming Golf Courses, (b) the interest payable on the borrowed funds would increase the total funding available for parks, (c) a First Tee Program would be established, and (d) the Department advised that it was already working to capacity on its Capital Program Phase I and, therefore, a delay in starting new projects funded by State Proposition 12 grant funds would have minimal impact. The Park, Recreation and Open Space Advisory Committee unanimously recommended that a stipulation be added that "the repaid funds to the Open Space Fund be used specifically for capital projects in neighborhood parks."

In his report on the establishment of the Golf Fund to the March 27, 2002 meeting of the Board of Supervisors Finance Committee (File 02-0197), the Budget Analyst reported the Department's advice that:

> The proposed Golf Fund would reimburse the Open Space Fund because the original plan to renovate Harding Park would have required the issuance of lease revenue bonds according to Ms. Elizabeth Goldstein, General Manager of [the Recreation and Park Department]. However, the use of available State grant funds for this purpose is a more efficient use of available funds. The use of lease revenue bond proceeds to fund the renovation project would have required the issuance of such bonds in a par amount that included bond issuance costs and capitalized interest in addition to total renovation project cost of $16,027,610. According to Ms. Monique Moyer, Director of the Mayor's Office of Public Finance, a total lease revenue bond issuance of approximately $21.0 million would have been required to fund the renovation project costs, required issuance costs and capitalized interest for the Harding Park renovation project.

The Department advises that the State approved all reimbursements requested by the City under the State Proposition 12 grant program. As the Department points out, the State would not have done so had the State believed that the Harding and Fleming Golf Courses' renovation projects did not meet the State's bond guidelines. Nevertheless, in its 2005 report, *California Park Bond Analysis*, the Planning and Conservation League Foundation[17] reviewed how the various recipients of State Proposition 12 grant funds expended those funds and raised concerns about the choice made by San Francisco, as the only city to expend all of its funds on a single initiative. The Planning and Conservation League Foundation's report noted that:

---

[17] The Sacramento-based Planning and Conservation League Foundation is a non-profit organization established in 1972 to provide environmental public policy research and education campaigns in California. It was founded under the auspices of the Sacramento-based Planning and Conservation League, a non-profit lobbying organization founded in 1965. The Planning and Conservation League is a statewide coalition of individuals and conservation organizations which reviews environmental bills under consideration by the California legislature and which sponsors environmental initiatives.

- The Harding and Fleming Golf Courses are not located in a highly populated or economically disadvantaged area, the focus of the RZH Program. The area within a one mile radius of the Harding and Fleming Golf Courses has a population density that is only 36 percent of the City's overall density, and there are 48.07 park acres per 1,000 people, compared to 9.52 park acres per 1,000 people for the City as a whole, a fivefold difference. The area has significantly fewer people in poverty (6.1 percent versus 11.3 percent) or unemployment (3.8 percent versus 4.6 percent), and a higher medium household income ($62,561 versus $59,141, an approximately 5.8 percent difference). "It can be concluded, then, that aside from the funds allocated to the First Tee Program, the City of San Francisco chose not to use either local assistance grant program to address the parks and recreation needs of historically underserved or economically disadvantaged communities," according to the report. This is in spite of the State Proposition 12 legislation's direction that RZH Program funds, of which San Francisco received $5,016,627, be "expended for high-priority projects that satisfy the most urgent park and recreation needs, with emphasis on unmet needs in the most heavily populated and most economically disadvantaged areas within each jurisdiction."

- The Department's own *Recreation Assessment Report* (August of 2004) ranked golf courses as the sixteenth most important recreational facilities out of 19 categories of recreational facilities.[18] Therefore, the report concluded, it is "highly questionable that the majority of San Francisco residents would agree that the Harding Park renovation satisfied one of the city's most pressing recreation needs."

- The length of time it takes the Golf Fund to repay the $5,016,627 in RZH Program funds (up to 25 years) is the length of time in which other recreation and park projects cannot be funded in underserved and economically disadvantaged communities, as intended by the RZH Program legislation. The report expressed concern that "there is nothing to ensure that any of the recovered funds will be used in densely populated and economically disadvantaged areas."

Since its initial support for the borrowing of the State Proposition 12 funds, the Park, Recreation and Open Space Advisory Committee has expressed its concerns about the slow repayment from the Golf Fund to the Open Space Fund. This concern has been echoed by community organizations.

Matching Open Space Funds

As shown in Table 6.1 above, the funding sources for the Harding and Fleming Golf Courses' renovation projects included $2,238,218 from the Open Space Fund which represents approximately 9.5 percent of the renovation projects' total appropriations of $23,611,457. In order to provide State bond funds, the State required local matching funds from the City. In order to comply, the Board of Supervisors appropriated Open Space Funds in the FY 2002-2003 budget for the local match. These local matching funds are being repaid to the Open Space Fund by the Golf Fund.

---

[18] This result was based on a random sample of 1,035 households. The results of that survey have a 95 percent level of confidence with a precision of at least +/- 3 percent.

Repayments to the Open Space Fund

Upon completion of the Harding and Fleming Golf Course projects in FY 2005-2006, the Golf Fund is required to begin paying back the full $16,627,627 in State Proposition 12 grant funds borrowed in 2002 to fund the Harding and Fleming Golf Courses' renovation projects, plus interest. In FY 2003-2004 and FY 2004-2005, as shown in Table 6.2 below, the Golf Fund has made interest payments totaling $479,080. In FY 2005-2006 and FY 2006-2007, the Golf Fund is budgeted to make further principal and interest payments totaling $1,961,542.

Table 6.2

Repayments to the Open Space Fund

Year	Principal Amount	Percentage of $16,627,627 Borrowed	Interest Amount	Annual Total
FY 2003-2004	$0	Interest only	$150,000	$150,000
FY 2004-2005	0	Interest only	329,080	329,080
FY 2005-2006 (budgeted)	544,467	3.3%	0	544,467
FY 2006-2007 (projected)	370,000	2.2%	1,047,075	1,417,075
TOTAL:	**$914,467**	**5.5%**	**$1,562,155**	**$2,440,622**

Source: Recreation and Park Department

As noted above, the Administrative Code establishes a hierarchy for Golf Fund revenues that ranks golf course operations and maintenance as the first priority, a $250,000 annual set aside for Harding and Fleming Golf Course capital projects as second priority, and repayment of the Open Space Fund as third priority.

The Department advises that it has only recently realized that the debt service schedule for Golf Fund payments to the Open Space Fund, as approved by the Recreation and Park Commission in 2002, was incorrect because it did not assume the interest rate at 1 percent less than the prime rate. The Department has worked with the Mayor's Office of Public Finance to generate a revised debt service schedule based on the current prime lending rate. The Department advises that the proposed FY 2005-2006 payment of $544,467 does not comply with the revised debt service schedule and, therefore, will require an additional $390,953 to complete the first revised debt service payment of $935,420.

The Department advises that more expeditious repayment of the State Proposition 12 funds will depend on the financial health of the Golf Fund which in turn is significantly affected by the Harding and Fleming Golf Courses' fee structure and permitted non-resident usage. Currently, far from being self-sufficient or generating surplus revenues, in FY 2004-2005 the Golf Fund required a $536,372 transfer from the General Fund in order to balance that year's budget, as shown in Table 6.3 below.

Table 6.3

Golf Revenues and Expenditures, FY 2002-2003 Through FY 2005-2006

	FY 2002-2003 Budget	FY 2002-2003 Actual	FY 2002-2003 Variance	FY 2003-2004 Budget	FY 2003-2004 Actual	FY 2003-2004 Variance	FY 2004-2005 Budget	FY 2004-2005 Actual	FY 2004-2005 Variance	FY 2005-2006 Budget
Revenues										
Golf Green Fees	$3,701,000	$3,255,710	(445,290)	$7,332,800	6,356,368	(976,432)	$7,687,000	$6,324,574	($1,362,426)	$7,732,000
Concessions	285,000	258,207	(26,793)	1,832,600	795,259	(1,037,341)	1,590,000	1,676,318	86,318	3,015,000
Operating Transfer from General Fund	0	0	0	0	0	0	536,372	536,372	0	0
Beginning Fund Balance	0	0	0	0	468	468	155,347	155,347	0	197,233
Interest Earned	0	5,257	5,257	20,000	(1,296)	(21,296)	10,000	5,433	(4,567)	10,000
Total Revenues:	3,986,000	3,519,174	(466,826)	9,185,400	7,150,799	(2,034,601)	9,978,719	8,698,044	(1,280,675)	10,954,233
Expenditures										
Total Expenditures:	3,986,000	3,518,706	(467,294)	9,158,433	6,995,452	(2,162,981)	9,936,861	8,500,811	(1,436,050)	10,877,316
Surplus / (Deficit)	$0	$468	$468	$26,967	$155,347	$128,380	$41,858	$197,233	$155,375	$76,917

Notes:
1. In FY 2005-2006 structural maintenance staff are budgeted in the Golf Fund for the first time. Therefore the Golf Fund budgets and actual expenditures prior to FY 2005-2006 were underestimates.
2. City and Department overhead was first budgeted in FY 2003-2004. Therefore, the FY 2002-2003 budget and actual expenditures were a significant underestimate.

Source: Recreation and Park Department

In contrast to the need for a $536,372 transfer from the General Fund in order to balance the FY 2004-2005 budget, a September 19, 2001 pro forma financial analysis prepared by Economics Research Associates for the Department projected a net operating income of $6,471,000 over the first six years of the renovated Harding and Fleming Golf Courses' operation. This net operating income was intended to fund the Administrative Code's hierarchy for Golf Fund revenues that ranks golf course operations and maintenance as the first priority, a $250,000 annual set aside for Harding and Fleming Golf Course capital projects as second priority, and repayment of the Open Space Fund as third priority.

Revenues

PGA Tour, Inc.'s Payments to the City

To date, PGA Tour, Inc. has paid the City $500,000 per the Department's Master Tournament Agreement with PGA Tour, Inc., plus a one-time $100,000 capital contribution to the Harding and Fleming Golf Course Clubhouse construction project. Table 6.4 below summarizes the expenses and revenues of the World Golf Championships - American Express Championship tournament held at Harding and Fleming Golf Courses on October 4 - 9, 2005. Table 6.4 does not include PGA Tour, Inc.'s one-time $100,000 capital contribution because that will not be replicated for future PGA Tour, Inc. tournaments.

The City is eligible to receive 6.66 percent of any gross operating revenues in excess of $10 million for each PGA Tour, Inc. tournament held at the Harding and Fleming Golf Courses, in the unlikely event that any tournament generates such high revenues. Under the Master Tournament Agreement, PGA Tour, Inc. has 120 days from the end of the World Golf Championships - American Express Championship tournament to provide an accounting of the revenues generated by the tournament. Therefore, the Department advises that it will not know until January of 2006 whether or not it will receive a percentage payment from surplus tournament revenues.

Table 6.4

World Golf Championships - American Express Championship, October 4 - 9, 2005: Costs and Revenues

Recreation and Park Department's Direct Costs:	
Salary + mandatory fringe benefits for additional staff at Harding and Fleming Golf Courses	$37,000
Overtime	157,000
Premium Pay	3,500
Practice Tee Construction	25,400
Non-salary expenditures	107,000
Subtotal of Direct Costs:	329,900
Decreased Revenues	
Decreased revenues in September of 2005 compared to September of 2004	220,096
Decreased revenues in October of 2005 compared to October of 2004	91,623
Subtotal of Decreased Revenues:	311,719
Total Direct Costs and Decreased Revenues	641,619
Total PGA Contribution	(500,000)
Uncompensated Direct Costs to Recreation and Park Department	**$141,619**

Source: Recreation and Park Department

Based on the information contained in Table 6.4 above, it appears unlikely that the PGA Tour, Inc.'s direct payments to the City for future tournaments will fully recompense the City for its direct costs. The Department needs to renegotiate its Master Tournament Agreement with PGA Tour, Inc. to either (a) negotiate more advantageous terms for the City, so that it fully recovers the Department's direct costs and makes a profit, or (b) terminate the agreement. If holding tournaments on municipal golf courses is an important business objective of PGA Tour, Inc., there is no reason why the City cannot make a profit from hosting such tournaments. Termination of the Master Tournament Agreement would have an unquantifiable impact on the City tourism revenues generated by PGA Tour, Inc. tournaments, none of which directly accrue to the Golf Fund or the Recreation and Park Department, and would cease PGA Tour, Inc. payments to the Harding and Fleming Golf Courses' First Tee Program. However, termination of the Master Tournament Agreement would also prevent the Department from incurring unrecompensed direct expenses of at least $141,619 per tournament. This is equivalent to the annual salary and mandatory fringe benefit costs of between 2.18 and 2.65 full time equivalent Classification 3417 Gardeners ($53,486 - $64,928 per year) and therefore represents a significant opportunity cost for the Department.

Golf Course Rounds and Revenues

All Golf Courses

Since 2000, the number of rounds played at the Lincoln Park Golf Course has fallen by 50 percent and the number of rounds played at the Sharp Park Golf Course has fallen by 38 percent. The Department advises that the decline in rounds in FY 2004-2005 was exacerbated, to some degree, by the extraordinary amount of rain experienced by the City that winter. Nevertheless, the general downward trend experienced by the Lincoln and Sharp Golf Courses was also reflected at the better maintained Golden Gate Park Golf Course which saw an approximately 27.3 percent reduction in the number of rounds played in the three years between FY 2002-2003 and FY 2004-2005. Since the golf fees chargeable at Lincoln, Sharp, and Golden Gate Park Golf Courses have not changed in some time, the declining number of rounds has resulted in declining golf fee revenues from those three City-operated golf courses.

Table 6.5 and Exhibit 6.1 below show the relationship between the declining number of rounds played at Golden Gate Park, Lincoln, and Sharp Golf Courses in relation to the number of rounds being played at the renovated Harding and Fleming Golf Courses after they were returned into service in FY 2003-2004. Although FY 2003-2004 saw 92,664 rounds played at Harding and Fleming Golf Courses, the net impact across all golf courses was only 52,480 because 40,184 less rounds were played at Golden Gate Park, Lincoln, and Sharp Golf Courses. This situation was exacerbated in FY 2004-2005. Although 116,603 rounds were played at Harding and Fleming Golf Courses, the net impact across all golf courses was only 51,849 because 64,754 less rounds were played at Golden Gate Park, Lincoln, and Sharp Golf Courses.

Table 6.5

Golf Course Rounds, FY 2002-2003 Through FY 2004-2005

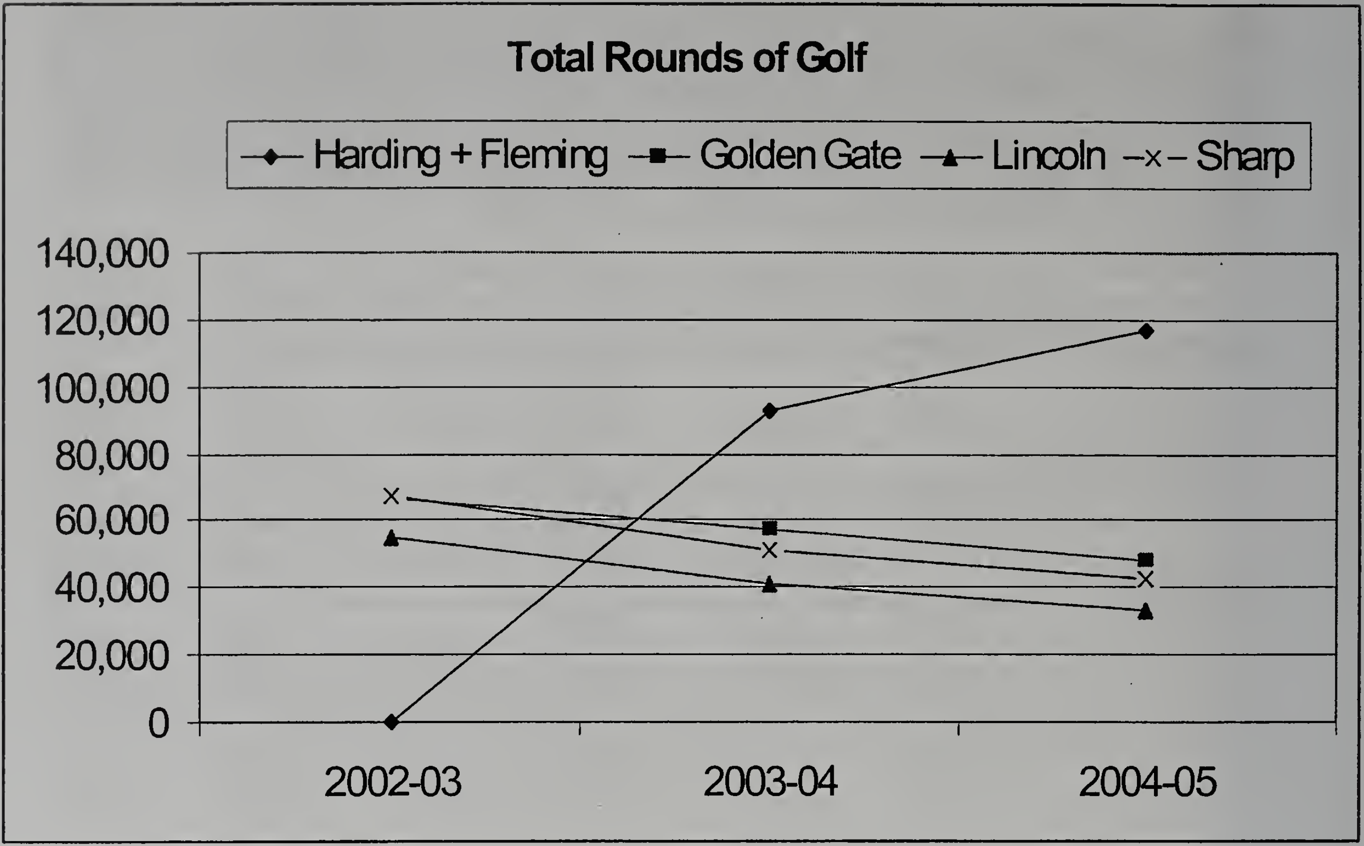
Course	Resident	Change from FY 2002-2003	Non-Resident	Change from FY 2002-2003	Total	Change from FY 2002-2003
Harding and Fleming Golf Courses						
FY 2002-2003	0		0		0	
FY 2003-2004	64,611	64,611	28,053	28,053	92,664	92,664
FY 2004-2005	75,515	75,515	41,088	41,088	116,603	116,603
Golden Gate Park Golf Course						
FY 2002-2003	41,554		24,874		66,428	
FY 2003-2004	38,387	(3,167)	18,722	(6,152)	57,109	(9,319)
FY 2004-2005	33,659	(7,895)	14,634	(10,240)	48,293	(18,135)
Lincoln Golf Course						
FY 2002-2003	25,220		29,682		54,902	
FY 2003-2004	19,427	(5,793)	21,408	(8,274)	40,835	(14,067)
FY 2004-2005	15,520	(9,700)	17,680	(12,002)	33,200	(21,702)
Sharp Golf Course						
FY 2002-2003	44,398		23,067		67,465	
FY 2003-2004	35,644	(8,754)	15,023	(8,044)	50,667	(16,798)
FY 2004-2005	30,818	(13,580)	11,730	(11,337)	42,548	(24,917)
TOTAL ROUNDS						
FY 2002-2003	111,172		77,623		188,795	
FY 2003-2004	158,069	46,897	83,206	5,583	241,275	52,480
FY 2004-2005	155,512	44,340	85,132	7,509	240,644	51,849

Source: Recreation and Park Department

The increasing number of Harding and Fleming Golf Courses' rounds relative to the decreasing number of rounds played at Golden Gate Park, Lincoln, and Sharp Golf Courses is shown diagrammatically in Exhibit 6.1 below.

Exhibit 6.1

Total Golf Rounds, FY 2002-2003 Through FY 2004-2005



Source: Recreation and Park Department

Harding and Fleming Golf Courses, Before and After Renovation

Table 6.6 below shows Harding and Fleming Golf Course rounds and revenues before renovation in FY 2000-2001 (the last full year before construction began in May of 2002), and after renovation in FY 2004-2005 (the first full year after the golf courses reopened in August of 2003). It should be noted that the Department still limited the number of rounds played at Harding and Fleming Golf Courses in FY 2004-2005 due to the immaturity of the course turf and greens.

Based on the information shown in Table 6.6, renovation of the Harding and Fleming Golf Courses has had the following effects:

- Resident Rounds: While the total number of resident rounds dropped by approximately 12.2 percent, from 86,040 to 75,515, the revenues earned increased by approximately 119.7 percent, from $912,472 to $2,004,541.

- Non-resident Rounds: While the total number of non-resident rounds dropped by approximately 29.4 percent, from 58,954 to 41,618, the revenues earned increased by approximately 149.6 percent, from $932,879 to $2,328,407.

- Tourist Rounds: The post-renovation introduction of tourist rounds added 278 rounds in FY 2004-2005, with a positive revenue impact of $27,800.

Overall, the number of rounds played at Harding and Fleming Golf Courses dropped by approximately 19.0 percent, from 144,944 to $117,411. However, revenues increased by approximately 136.3 percent, from $1,845,351 to $4,360,748.

The Department is unable to quantify the impact on concession revenues of the Harding and Fleming Golf Course's renovation. Prior to the renovation, the Department had a lease agreement with a course operator which permitted the course operator to keep the majority of the concession revenues, while the Department received only a percentage. In FY 2000-2001, the Department received $145,577 in concession revenues. Under the Department's current management agreement with Kemper Sports Management, the Department receives all net concession revenues. Further, the Harding Clubhouse and its full-service restaurant were not open in FY 2004-2005, so the FY 2004-2005 gross concession revenues of $961,900 (cost of goods not deducted) are lower than they would have been if the Harding Clubhouse was open.

Table 6.6

Harding and Fleming Golf Course Rounds and Revenues, FY 2000-2001 and FY 2004-2005

Category	FY 2000-2001			FY 2004-2005				
	Harding / Fleming Fee[19]	Rounds	Revenues	Harding / Fleming Fees[20]	Rounds	Revenues	% Increase (Decrease) in Rounds	% Increase (Decrease) in Revenues
Resident Weekday	$17 / $7	26,212	$313,194	$33 / $16	19,863	$539,182		
Resident Junior Weekday	$8 / $4	1,844	8,224	$10 / $7	1,045	8,389		
Resident Senior Weekday	$10 / $5	34,993	268,980	$20 / $10	17,761	273,490		
Resident Twilight Weekday	--			$24 / --	3,968	95,232		
Harding Park Golf Club	--			$66 / --	1,162	76,692		
Resident Weekend	$20 / $9	18,006	268,105	$46 / $18	24,965	849,182		
Resident Junior Weekend	$8 / $6	1,719	11,300	$15 / $10	1,128	13,045		
Resident Senior Weekend	$15 / $8	3,266	42,669	$46 / $15	1,366	33,169		
Resident Twilight Weekend	--			$32 / --	3,421	109,472		
Resident Replay	--			-- / $8	836	6,688		
Total Resident Rounds		**86,040**	**$912,472**		**75,515**	**2,004,541**	**(12.2%)**	**119.7%**

---

[19] The blank fee categories were not in place in FY 2000-2001. No non-resident junior or senior golf fees existed, and there was no difference between resident and non-resident twilight fees, so all rounds have been represented as non-resident. There were three distinct twilight times, each with a specific fee, although the number of rounds and fees have been grouped.

[20] The fee structure has since been changed and updated in the FY 2005-2006 budget.

Category	FY 2000-2001			FY 2004-2005				
	Harding / Fleming Fee	Rounds	Revenues	Harding / Fleming Fees	Rounds	Revenues	% Increase / (Decrease) in Rounds	% Increase / (Decrease) in Revenues
Non-resident Weekday	$26 / $13	13,789	249,886	$78 / $18	14,206	695,388		
Non-resident Junior Weekday	--			$10 / $7	778	6,760		
Non-resident Senior Weekday	--			-- / $18	7	126		
Non-resident Twilight Weekday	$20 / $15 / $10	16,053	238,650	$57 / --	1,741	99,237		
Non-resident Weekend	$31 / $13	12,414	239,962	$90 / $23	16,367	889,862		
Non-resident Junior Weekend	--			$15 / $10	976	12,105		
Non-resident Senior Weekend	--			-- / $22	11	242		
Non-resident Twilight Weekend	$24 / $18 / $12	5,837	98,292	$68 / --	1,242	84,456		
S.F. City Green Fee	--			$46 / --	513	23,598		
Non-resident Replay	--			-- / $8	536	4,288		
Tournament Weekday	--			$92 / $26	2,210	203,320		
Tournament Weekend	--			$103 / $37	3,031	309,025		
Additional Rounds		10,861	106,089	--				
Total Non-resident Rounds		**58,954**	**932,879**		**41,618**	**2,328,407**	**(29.4%)**	**149.6%**
Tourist / Hotel Weekday	--			$92 / --	0	0		
Tourist / Hotel Weekend	--			$100 / --	278	27,800		
Total Tourist Rounds					**278**	**27,800**	**100.0%**	**100.0%**
Total Resident, Non-resident, and Tourist Rounds		**144,944**	**$1,845,351**		**117,411**	**$4,360,748**	**(19.0%)**	**136.3%**

Source: Recreation and Park Department

Current status

In light of the above nine year history of the Department's golf courses, the current status of the Department's Golf Program can summarized as follows:

- At a final cost of $23,611,457, Harding and Fleming Golf Courses' renovation was $7,583,847 or 47.3 percent over the original estimate of $16,027,610.

- The Harding and Fleming Golf Courses' renovation was significantly funded by the borrowing in 2002 of $16,627,627 in State Proposition 12 funds. State Proposition 12 funds are intended to address the recreation and parks needs of historically underserved or economically disadvantaged communities. While the Harding and Fleming Golf Courses serve the City as a whole, as golf courses they do little to address the needs of neighborhoods with few recreation and park facilities in their immediate localities. To date, only $490,000 in interest payments, pending completion of the project, have been made to the Open Space Fund. The first repayment of principal is due in FY 2005-2006, but is currently under-budgeted by $390,953.

- In effect, after the City failed to find private monies to upgrade the Harding and Fleming Golf Courses to international golf tournament standards, the City proceeded with the refurbishment project to achieve those standards anyway, borrowing State Proposition 12 monies intended for other purposes to do so. The borrowing of State Proposition 12 monies, and the slow incremental repayment of those borrowings plus interest over 25 years, incur a significant opportunity cost for other parts of the recreation and park system.

- Under the City's Master Tournament Agreement with PGA Tour, Inc., the City will receive direct payments in the amount of. $2,500,000, plus an additional $2,500,000 for its First Tee Program, over the next 15 years if four more PGA Tour, Inc. tournaments are held at the Harding and Fleming Golf Courses, as currently planned. In addition, the City will receive 6.66 percent of any gross operating revenues in excess of $10 million for each PGA Tour, Inc. tournament held at the Harding and Fleming Golf Courses, in the unlikely event that any tournament generates such high revenues. Based on the information contained in Table 6.4 above, it appears unlikely that the PGA Tour, Inc.'s direct payments to the City will fully recompense the City for its direct costs.

- The Harding and Fleming Golf Courses will only remain eligible to host such tournaments if they continue to be maintained at PGA Tour, Inc. standards. While setting the performance standards and maintaining intensive oversight, PGA Tour, Inc. will not be funding the resources required to maintain the Harding and Fleming Golf Courses to PGA Tour, Inc. standards. Therefore, in order to achieve a worthwhile rate of return on its $23,611,457 investment, the City is relying on significantly increased greens fee revenues from non-residents and tourists attracted by the highly visible new amenities (while maintaining lower greens fees for residents), plus the unquantifiable revenues generated by increased tourism during international tournaments which do not accrue to either the Golf Fund or to the Recreation and Park Department.

- The courses at Lincoln and Sharp Parks remain substandard. There are no completed, closed out, or active Capital Program Phase I projects related to these two golf courses. Without infrastructure investments, these golf courses cannot increase their contributions to the Golf Fund.

- To date, PGA Tour, Inc. has not yet invested the estimated $1 million worth of design services to renovate Lincoln Park and Sharp Park it is required to provide under its contract with the City. This is because the Department has neither an overall plan for each golf course, nor identified construction funding, nor an estimated project schedule.

- In FY 2004-2005, 238,440 rounds of golf were played on the City's six golf courses. Therefore, demand remains high in the system as a whole. However, Lincoln and Sharp Parks have declining numbers of rounds played, thereby depressing greens fee revenues. Further, both Lincoln and Sharp Parks are currently operating on month-to-month operating agreements which discourages long-term capital investments. Meanwhile, other Bay Area municipal golf courses have been renovated over the last decade which means that golf courses such as Poplar Creek (San Mateo), the Presidio (San Francisco), and Monarch Bay (San Leandro) are in much better condition than Lincoln and Sharp Golf Courses and, consequently, more attractive to potential clients.

- There is considerable political resistance to increasing golf course fees. Nevertheless, the declining revenues from Lincoln, Sharp, and Golden Gate Park Golf Courses, the existing fee structure, and the requirement that 65 percent of Harding and Fleming Golf Courses' tee times be set aside for residents, generates insufficient revenue for the Golf Fund to sustain the City's golf course operating costs and debt repayment, let alone create reserves for future capital improvements at Lincoln, Sharp, and Golden Gate Park Golf Courses. The Department states that its focus is on making the Golf Fund viable. Nevertheless, in the future, if the Department is not going to be allowed to develop sufficient ongoing funding for the Golf Fund due to constraints on golf fees and non-resident usage of Harding and Fleming Golf Courses, then the Department may need to consider using some of the land currently devoted to golf to other, equally valid recreational uses which are cheaper to provide and maintain.

Conclusions

The Golf Fund faces significant financial challenges. Although demand to play at Harding and Fleming Golf Courses is high and their greens fee revenues have grown, since Harding and Fleming Golf Courses reopened in 2003, there has been decreased play at Lincoln, Sharp, and Golden Gate Park Golf Courses, thus partially offsetting the revenue growth at the renovated Harding and Fleming Golf Courses. In FY 2004-2005, Lincoln, Sharp, and Golden Gate Golf Courses reported a reduction of 64,754 rounds compared to FY 2002-2003. This downward impact on revenues, coupled with the existing fee structure and the requirement that 65 percent of Harding and Fleming Golf Courses' tee times be set aside for residents, generates insufficient revenue for the Golf Fund to repay the Open Space Fund for the borrowing of State Proposition 12 monies plus Open Space Fund matching funds, to construct and maintain capital improvements for all five Department-operated golf courses, and to generate funding for other recreation and park facilities, as intended by Proposition C. For example, in FY 2004-2005 the Golf Fund revenues were $8,698,044, including $536,372 transferred from the General Fund, and total expenditures were $8,500,811, resulting in a year-end fund balance of only $197,233.

Recommendations

The Recreation and Park Department General Manager should:

6.1 Ensure, in relation to the borrowed State Proposition 12 funds for the Harding and Fleming Golf Courses' renovation projects, that the full FY 2005-2006 repayment of $935,420 is made to the Open Space Fund.

6.2 Review available strategies to speed up repayment of the borrowed State Proposition 12 funds plus interest so that repayment will not take the full 25 years currently scheduled. The strategies reviewed should include modification of Harding and Fleming Golf Courses' fee structure and percentage of rounds reserved for residents' use.

6.3 Renegotiate the Master Tournament Agreement with PGA Tour, Inc. to either (a) negotiate more advantageous terms for the City, so that it fully recovers the Department's direct costs and makes a profit, or (b) terminate the agreement.

6.4 Develop overall plans for Lincoln and Sharp Golf Courses in relation to the best use of those properties, required capital improvement program costs and schedules, and possible funding sources.

Costs and Benefits

Ensuring that the borrowed State Proposition 12 funds are repaid as quickly as possible will reduce the negative opportunity cost to the rest of the City's recreation and park system of having devoted those funds to the Harding and Fleming Golf Courses' renovation projects.

Under the City's Master Tournament Agreement with PGA Tour, Inc., the City will receive $2,500,000 plus Consumer Price Index adjustments in direct payments (a Consumer Price Index adjusted $500,000 per tournament times five tournaments), plus an additional $2,500,000 plus Consumer Price Index adjustments for its First Tee Program (a Consumer Price Index adjusted $500,000 per tournament times five tournaments), over the next 15 years if four more PGA Tour, Inc. tournaments are held at the Harding and Fleming Golf Courses, as currently planned. In addition, the City will receive 6.66 percent of any gross operating revenues in excess of $10 million for each PGA Tour, Inc. tournament held at the Harding and Fleming Golf Courses, in the unlikely event that any tournament generates such high revenues. Based on the information contained in Table 6.4 above, it appears unlikely that the PGA Tour, Inc.'s direct payments to the City for future tournaments will fully recompense the City for its direct costs.

The Department's renegotiation of its Master Tournament Agreement with PGA Tour, Inc. should result in either (a) more advantageous terms for the City, so that it fully recovers the Department's direct costs and makes a profit, or (b) termination of the agreement. Termination of the Master Tournament Agreement would have an unquantifiable impact on the City tourism revenues generated by PGA Tour, Inc. tournaments, none of which directly accrue to the Golf Fund or the Recreation and Park Department, and would result in the cessation of PGA Tour, Inc. payments of $500,000 per tournament to the Harding and Fleming Golf Courses' First Tee Program. However, termination of the Master Tournament Agreement would also prevent the Department from incurring unrecompensed direct expenses of at least $141,619 per tournament. This is equivalent to the annual salary and mandatory fringe benefit costs of between 2.18 and 2.65 full time equivalent Classification 3417 Gardeners ($53,486 - $64,928 per year) and therefore represents a significant opportunity cost for the Department.

7. Revenue Generating Programs, Capital Costs, and Cost Allocation

- **The Recreation and Park Department faces significant capital costs for Monster Park Stadium and Camp Mather without adequate funding sources to pay for such costs. Current revenues are insufficient to meet the capital needs of these two facilities. Additionally, the Department faces significant capital costs for the East Harbor of the Marina Yacht Harbor with uncertain funding.**

- **Monster Park Stadium's estimated unmet capital needs are $23.7 million, but the Department has no funding source to pay for these repairs. Under the current lease agreement with the San Francisco Forty-Niners, the Forty-Niners will receive rent credits, totaling $4.25 million over the next three fiscal years, to make necessary stadium repairs. These rent credits have resulted in a $1.09 million decrease in Department operating revenues in FY 2004-2005, requiring additional General Fund monies to make up the difference, and will result in further reductions, totaling $3.15 million over the next two years. The Recreation and Park Department General Manager should report to the Board of Supervisors prior to December 31, 2006 on the options for repair and replacement of Monster Park Stadium.**

- **The City's family camp located near Yosemite National Park, Camp Mather, needs an estimated $20 million in critical infrastructure and facility improvements, including the water and sewer systems. Although the Recreation and Park Department could potentially issue revenue bonds with voter approval or issue Certificates of Participation to fund such improvements, annual debt service would have a significant impact on camp fees, requiring Camp Mather to increase annual revenues by as much as 60 percent to cover operating and debt service costs on 30 year debt at 5 percent.**

- **Both the East and West Harbors of the Marina Yacht Harbor need extensive repairs, but renovating the East Harbor may not be fiscally feasible because California Department of Boating and Waterways funding is uncertain and dredging costs due to contaminated soil could range from $2.8 million to $7.6 million. According to the City Attorney's Office, the problem of contaminated soil in the East Harbor could result in litigation between the City and the Pacific Gas and Electric Company over responsibility to pay for mitigation of the contaminated soil.**

- **The General Manager should provide a status report to the Board of Supervisors during the FY 2006-2007 budget review on (a) the status of the California Department of Boating and Waterways loan for the East Harbor renovation project, (b) the status of the City's legal dispute with the Pacific Gas and Electric Company, and (c) alternative revenue and cost scenarios for the Marina Yacht Harbor's West and East Harbors.**

- **In FY 2002-2003 the Recreation and Park Department developed a cost allocation plan to (a) allocate Department and division administrative costs to funding sources and programs within the Department and (b) set overhead rates for Department employees who charge their time to capital and facilities maintenance projects. The Department allocates some costs to overhead rather than charging such costs directly to capital projects, resulting in very high overhead rates for the Capital Division staff and misallocation of Capital Division labor hours. The Capital Division overhead labor rate increased from 198 percent in FY 2004-2004, which already exceeded the national industry standard of 171.1 percent, to 254.6 percent in FY 2005-2006. The high overhead rates result in the Capital Division charging direct project costs as overhead across all capital projects rather than charging these costs to the actual capital projects for which such costs were incurred.**

Planning for the Capital Costs of Revenue-Generating Programs

The Recreation and Park Department has several programs that are funded solely through revenues. Two of these programs are established as separate funds: (a) the golf courses, which are funded through the Golf Fund, discussed in Section 6 of this report, and (b) the Marina Yacht Harbor, which is funded through the Marina Yacht Harbor Fund.

Monster Park Stadium and Camp Mather expenses are paid by operating revenues although these two programs are not set up as separate funds. Monster Park Stadium is funded through stadium revenues, largely through the lease agreement with the San Francisco Forty-Niners. Camp Mather is funded by camp fees and concession revenues.

The Recreation and Park Department faces significant capital costs for Monster Park Stadium and Camp Mather without adequate funding sources to pay for such costs. Current revenues are insufficient to meet the capital needs of these two facilities. Additionally, the Recreation and Park Department faces significant capital costs for the East Harbor of the Marina Yacht Harbor, but the proposed funding source, a California Department Boating and Waterways loan, is uncertain.

Monster Park Stadium's Revenues and Operating and Capital Costs

The Recreation and Park Department owns and operates Monster Park Stadium. The major part of the Stadium's revenues come from the sole tenant, the San Francisco Forty-Niners, although the Recreation and Department receives revenues from other Stadium events. Under the lease and other agreements between the Forty-Niners and the City, the Forty-Niners pay 10 percent of admission and luxury box receipts, 42 percent of parking lot receipts, and 4 percent of food and beverage concessions. The Forty-Niners also pay rent for stadium advertising rights and for naming rights, and pay an admission tax on tickets sold. Under the terms of the lease agreement between the City and the Forty-Niners, which expires on May 31, 2008, the City is responsible for the stadium's maintenance and repairs. Table 7.1 summarizes Monster Park Stadium's annual revenues and operating expenses.

Table 7.1

Monster Park Stadium's Annual Operating Revenues and Expenses
FY 2002-2003 through FY 2004-2005

	FY 2002-2003	FY 2003-2004	FY 2004-2005	Average Annual Growth Rate
Admission Tax	$1,315,000	$1,181,187	$795,990	(22.2%)
Rents and Concessions	6,687,000	6,124,307	6,499,182	(1.4%)
Permits and Naming Rights	175,000	369,149	833,154	118.2%
Total Revenues	8,177,000	7,674,643	8,128,326	(0.3%)
Salaries	$1,130,205	$753,248	$780,250	(16.9%)
Fringe Benefits	281,287	151,401	203,380	(15.0%)
Overhead	0	225,811	245,267	8.6%
Non Personal Expenses	877,758	550,561	640,609	(14.6%)
Materials and Supplies	460,838	263,067	204,234	(33.4%)
Services of Other Departments	1,144,315	995,230	639,546	(25.2%)
Facilities Maintenance	905,037	1,005,663	1,160,594	13.2%
Total Expenditures	4,799,440	3,944,981	3,873,880	(10.2%)
Surplus Revenues	**$3,377,560**	**$3,729,662**	**$4,254,446**	**12.2%**

Source: Recreation and Park Department

Over the past two fiscal years, Monster Park Stadium expenditures have decreased at a higher rate than revenues, resulting in increased surplus revenues. However, beginning in FY 2005-2006, the Forty-Niners will receive rent credits for capital repairs to the stadium, totaling $4.25 million over three years. These rent credits have resulted in decreased revenues to the Department, requiring an additional $1.09 million in General Fund support in FY 2005-2006.

The Recreation and Park Department faces significant capital costs for Monster Park Stadium that could exceed the Stadium's annual revenues. In 2000, the Department of Public Works and the Recreation and Park Department identified an estimated $28.7 million in needed capital repairs for Monster Park Stadium. Some of the repairs have been completed since that time or will be completed by the Forty-Niners through rent credits, but the remaining balance of estimated repairs is approximately $23.7 million (in 2000 dollars). The Recreation and Park Department has no other facility assessment for Monster Park Stadium and has no seismic assessment of the stadium.

The Recreation and Park Department is currently in discussions with the Mayor's Office on the future of Monster Park Stadium and Forty-Niners lease. The Recreation and Park Department General Manager should report to the Board of Supervisors prior to December 31, 2006, on the options for repair or replacement of Monster Park Stadium, the planning process, and the timelines.

Camp Mather

The Recreation and Park Department operates the Camp Mather family camp on the outskirts of Yosemite National Park. Camp Mather operating revenues come mainly from the fees charged to families renting tents or cabins during the 10-week summer season. Camp Mather receives some additional revenues from events and concessions. Camp Mather operating expenses include the salary costs for permanent and temporary positions assigned to the Camp, food and other supplies, and facilities maintenance.

Table 7.2

Camp Mather's Annual Operating Revenues and Expenses FY 2002-2003 through FY 2004-2005

	FY 2002-2003	FY 2003-2004	FY 2004-2005	Average Annual Growth Rate
Rents and Concessions	$136,000	$169,771	$174,715	13.3%
Camp Fees	1,198,000	1,261,855	1,430,622	9.3%
Total Revenues	1,334,000	1,431,626	1,605,337	9.7%
Salaries	$285,968	$265,855	$291,323	0.9%
Fringe Benefits	32,118	28,744	34,550	3.7%
Overhead	0	87,539	95,336	8.9%
Non Personal Expenses	22,163	113,608	128,291	140.6%
Materials and Supplies	324,790	400,839	316,577	(1.3%)
Services of Other Departments	21,070	23,321	19,372	(4.1%)
Facilities Maintenance	532,000	558,600	586,530	5.0%
Total Expenditures	1,218,109	1,478,506	1,471,979	9.9%
Surplus Revenues	**$115,891**	**($46,880)**	**$133,358**	**7.3%**

Source: Recreation and Park Department

The Recreation and Park Department incurred an operating deficit in FY 2003-2004 and proposed a fee increase for the following season, resulting in an increase in camp fee revenues in FY 2004-2005. Camp Mather shows an operating surplus of $133,358 in FY 2004-2005, but some operating expenditures are not captured in the Department's reported Camp Mather expenditures, such as registration and marketing costs of approximately $40,000 annually.

The Recreation and Park Department faces significant capital costs for Camp Mather without a funding source to cover such costs. The Department has identified both critical infrastructure needs and facility improvements but has not conducted a formal facility assessment to determine potential costs. The rough estimate for the infrastructure repairs and capital improvements is approximately $20 million, of which $5 million is the cost of installing a new sewage system. Although the Recreation and Park Department could potentially issue revenue bonds with voter approval or issue Certificates of Participation, annual debt service would have a significant impact on camp fees. For example, if the Recreation and Park Department were to pay debt service on a $20 million loan amortized over 30 years at 5 percent annual interest, Camp Mather revenues would have to increase by approximately 60 percent to cover operating and debt service costs. A 60 percent increase in fees would result in a family of four, who currently pay $114 per night for a Camp Mather Cabin, to pay an additional $68 per night, resulting in an estimated fee of $182 per night.

The Recreation and Park Department Capital Division should assess the Camp Mather facilities to identify the need for capital repairs or replacement, estimate costs, and set priorities and schedules for repair and replacement. The Recreation and Park Department should then report to the Board of Supervisors during FY 2006-2007 on Camp Mather's operating and capital costs, the impact on fees, and the options for maintaining the Camp.

Marina Yacht Harbor

Both the East and West Harbors of the Marina Yacht Harbor need extensive repairs. The California Department of Boating and Waterways has approved the first two phases ($1.5 million and $3.7 million respectively) of a loan of $16.5 million for renovation of the West Harbor. The California Department of Boating and Waterways has approved the entire $16.5 million project but each phase of funding must be approved each budget year. The Recreation and Park Department has initiated discussions with the California Department of Boating and Waterways to obtain an additional loan of $19.6 million to renovate the East Harbor, although the availability of State funds for that loan is uncertain.

The Board of Supervisors approved Marina Yacht Harbor fee increases in FY 2004-2005, totaling 55 percent over five years for the West Harbor and 56 percent over four years for the East Harbor. The Marina Yacht Harbor fees will be adjusted by the Consumer Price Index beginning in FY 2009-20210 for the East Harbor and FY 2010-2011 for the West Harbor.

The Marina Yacht Harbor is a special revenue fund. As shown in Table 7.3, the fund balance was drawn down significantly between FY 2002-2003 and FY 2004-2005, largely due to allocation of $1.2 million of the fund balance as collateral for the California Department of Boating and Waterways loan. At the close of FY 2004-2005, the Marina Yacht Harbor fund balance was $418,107.

Table 7.3

Sources and Uses of Marina Yacht Harbor Fund and Fund Balance FY 2002-2003 through FY 2004-2005

	FY 2002-2003	FY 2003-2004	FY 2004-2005
Berthing Receipts	$1,450,446	$1,503,088	$1,423,252
Concessions	147,708	159,660	163,800
Interest Earnings	57,702	34,071	44,219
Total Sources of Funds	1,655,856	1,696,819	1,631,271
Labor Costs	793,998	705,765	716,939
Non Labor Costs	646,348	516,009	545,696
Total Uses of Funds	1,440,346	1,221,774	1,262,635
Net Revenues	215,510	475,045	368,636
Facilities Maintenance Costs	200,000	550,000	330,000
Marina Yacht Harbor Renovation Costs	0	0	1,205,357
Controller's Audit	0	0	3,071
Total Project Costs	200,000	550,000	1,538,428
Net Results	15,510	(74,955)	(1,169,792)
Beginning Fund Balance	1,590,765	1,665,437	1,580,352
Annual Close out to Fund Balance	59,162	(10,130)	7,547
Ending Fund Balance	**$1,665,437**	**$1,580,352**	**$418,107**

Source: Recreation and Park Department

The West Harbor's projected renovation costs of $16.5 million should be fully funded by the Department of Boating and Waterways loan. The East Harbor's projected renovation costs are significantly higher due to the need to dredge contaminated soil from the harbor. The December 2002 San Francisco Marina Renovation Feasibility Study found elevated levels of polycylic aromatic hydrocarbons, formed during the incomplete burning of oil, gas, tar, or organic substances and considered to be carcinogenic. The City considers the Pacific Gas and Electric Company to be responsible for the contamination and filed suit against the company. However, because the City had not yet incurred costs for the dredging and harbor clean up, the Court dismissed the suit without prejudice, allowing the City to refile. Meanwhile, the City and the Pacific Gas and Electric Company have agreed to share the cost of conducting further environmental studies pursuant to a non-binding 50-50 allocation, up to the total amount of $500,000.

According to the Feasibility Study, polycylic aromatic hydrocarbon contamination exceeding 5 parts per million cannot be disposed in the Bay, resulting in alternative disposal and significant costs. The Feasibility Study provided a range of dredging and disposal costs from $2.8 million to $7.6 million. The estimated cost of $2.8 million would allow dredging of the East Harbor to a depth of eight feet and the channel to a depth of 15 feet, which was considered adequate for marina use, but which would require more frequent marina dredging, thus increasing marina operating costs.

A resolution adopting findings that the Marina Yacht Harbor renovation project is fiscally feasible is pending before the Board of Supervisors. Board of Supervisors' approval of the proposed resolution is necessary for completion of the Environmental Impact Report. The draft Environmental Impact Report was heard before the Planning Commission on October 28, 2005, but has not yet been approved. According to the Recreation and Park Department, the Department expects Planning Commission approval of the draft Environmental Impact Report and to calendar the resolution adopting findings that the Marina Yacht Harbor renovation project is fiscally feasible for Board of Supervisors' approval in January 2006.

The Administrative Code sets out five criteria to determine if a project is fiscally feasible, including financial benefit to the City, construction costs, funding availability for the project, long-term operating and maintenance costs for the project, and debt load. According to the Budget Analyst's report to the October 13, 2005 Board of Supervisors Budget and Finance Committee meeting, although the $19.5 million loan from the California Department of Boating and Waterways had not yet been formally approved for renovation of the East Harbor, the City Attorney stated that the Administrative Code only required that potential identified sources of funds need to be available. Based upon the City Attorney's statement, the Budget Analyst recommended approval of the resolution adopting findings that the Marina Yacht Harbor renovation project is fiscally feasible.

If the Board of Supervisors approves the proposed resolution, the Recreation and Park Department will be able to proceed with renovation of the West Harbor. However, significant uncertainty remains whether the East Harbor renovation is cost effective, given that:

- The Recreation and Park Department would have to determine the actual costs of dredging the contaminated soil in the East Harbor and the impact of ongoing dredging on future operating and maintenance costs.

- The City would need to resolve its dispute with the Pacific Gas and Electric Company favorably to cover the costs of dredging the contaminated soil in the East Harbor.

- The California Department of Boating and Waterways would have to approve and fund a $19.5 million loan to the Recreation and Park Department. Although other forms of funding are available to fund the project, such as Certificates of Participation, the Mayor's Office of Public Finance states that East Harbor revenues under the current fee structure would be insufficient to pay debt service due to the higher borrowing costs for Certificates of Participation.

The Recreation and Park Department should evaluate the possibility of not renovating the East Harbor and placing it into other alternative recreational uses. The Recreation and

Park Department has projected revenues, expenditures, and debt service costs over time based on a cash flow model developed as part of the Feasibility Study. Under the this cash flow model, the West Harbor revenues are sufficient to pay ongoing operating and debt service costs for the West Harbor renovation. However, if the East Harbor were not renovated and not in use as a marina, certain fixed administrative and overhead costs that are allocated to both the West and East Harbor might then be allocated solely to the West Harbor.

The Recreation and Park Department should evaluate the West Harbor's fiscal feasibility, in the absence of renovating the East Harbor, by (a) defining the Marina Yacht Harbor's fixed costs and identifying the impact of allocating 100 percent of fixed costs to the West Harbor, and (b) projecting revenues based on alternative berthing rate scenarios. For example, under the current cash flow model, the West Harbor pays 59 percent of total Marina Yacht Harbor ongoing operating and maintenance expenses and berthing fees would increase by an average of 37 percent in FY 2010-2011 when the renovation project is completed.

During the FY 2006-2007 budget review, the Recreation and Park Department should provide a status report to the Board of Supervisors on (a) the status of the California Department of Boating and Waterways loan for the East Harbor renovation, (b) the status of the City's lawsuit with the Pacific Gas and Electric Company regarding responsibility and costs for the contaminated East Harbor soil, and (c) alternative revenue and cost scenarios for the Marina Yacht Harbor's West and East Harbors.

The Recreation and Park Department's Allocation of Costs to Programs

In FY 2002-2003 the Recreation and Park Department recast its operating budget to better align costs to programs and developed a cost allocation plan to (a) allocate Department and division administrative costs to funding sources and programs within the Department, and (b) set overhead rates for Department employees who charge to capital and facilities maintenance projects. The goal of the cost allocation plan is to:

- Appropriately charge all programs for services and administrative support received.
- Understand the true cost of programs and services provided by the Department.
- Meet Federal, State and City regulations.

The Recreation and Park Department first implemented the cost allocation plan in FY 2003-2004. Under the plan, Department overhead and administrative costs are allocated to General Fund programs, including the capital program, and the Department's various funds, including the work order fund, the Golf Fund, the Open Space Fund, and the Marina Yacht Harbor Fund. These costs are allocated based on the ratio of full time positions in each program or fund to the total Department full time positions.

The Recreation and Park Department's Overhead Rates

The overhead rates for Department employees who charge to capital or facilities maintenance projects are calculated as a ratio of indirect to direct costs. For example, the overhead rate for Capital Division employees is a ratio of Department and division administrative costs to Capital Division engineer and architect salary costs, plus mandatory fringe benefits and paid time off. The overhead rate is then applied to the engineer's or architect's hourly wage rate when charged to a capital project. If the ratio of indirect costs to direct costs increases, the overhead rate increases.

The Recreation and Park Department's overhead rates have increased significantly over the past three years. Also, the FY 2005-2006 overhead rate greatly exceeds the industry standard.[1] Table 7.4 shows the increase in the Department's overhead rates from FY 2003-2004 to FY 2005-2006.

Table 7.4

Increase in the Department's Overhead Rates

FY 2003-2004 to FY 2005-2006

	FY 2003-2004	FY 2004-2005	FY 2005-2006
Capital Division	146.02%	198.04%	254.63%
Structural Maintenance Division	84.22%	93.99%	111.72%
Urban Forestry Division	82.94%	99.91%	113.79%
Natural Areas Division	83.91%	100.85%	115.72%
Other Work Order Services	140.19%	104.20%	118.79%

Source: Recreation and Park Department

Capital Division overhead rates increased by 56.59 percentage points in FY 2005-2006 compared to FY 2004-2005. Much of this increase was driven by the higher percentage of Capital Division salary costs that were charged as overhead compared to Capital Division salary and fringe benefit costs charged directly to projects, as shown in Table 7.5.

---

[1] According to the City's Engineering Services Task Force's report, *Consolidated Committee Findings and Recommendations* (April 4, 2005), the engineer overhead rate based on the predominate government method, as called for in the Federal Acquisition Regulation, is 171.1 percent compared to a FY 2004-2005 Citywide average of 194.75%. In FY 2005-2006, the Recreation and Park Department overhead rate for the Capital Division, which includes architects, landscape architects, and engineers, is 254.63 percent.

Table 7.5

Comparison of Capital Division Overhead Rates

FY 2004-2005 and FY 2005-2006

	FY 2004-2005	FY 2005-2006	Increase
Capital Division Mandatory Fringe Benefits and Paid Time Off	54.22%	51.29%	2.93%
Ratio of Capital Division Indirect Labor Costs to Direct Labor Costs	116.86%	84.31%	32.55%
Capital Division Indirect Non Labor Costs	33.19%	22.69%	10.50%
Department Overhead Costs	50.36%	39.75%	10.61%
	254.63%	198.04%	56.59%

Source: Recreation and Park Department

The Capital Division needs to charge more costs directly to capital projects rather than allocating costs through overhead. The high overhead rates can misallocate resources by charging overhead across all capital or facilities maintenance projects when in fact these costs should be charged directly to the capital projects that incur the costs. The significant increase in overhead costs from year to year can also create uncertainty in project budgets because project labor costs vary significantly over time. The Department should evaluate its methodology for determining indirect and direct costs and identify all costs that should be charged directly.

Annual Carry Forward Adjustments

The allocation of overhead costs to special revenue funds and Department programs in the annual budget is an estimate of overhead costs for the coming year. The overhead fund, which accounts for the Department's administrative overhead, recovers funds from the special revenue funds and Department programs to pay for the Department's overhead expenses. If the Department's actual overhead expenses exceed actual recoveries during the fiscal year, net recoveries will be negative, and if the Department's actual overhead expenses are less than actual recoveries, net recoveries will be positive.

To ensure that the special revenue funds and Department programs pay the actual rather than the estimated budgeted overhead costs, the cost allocation plan provides for adjustments to account for the difference between budgeted and actual overhead expenditures and recoveries each year. Under the plan, the overhead allocation to each fund or program in the annual budget should be adjusted upward or downward to account for the difference between actual expenditures and actual recoveries from two fiscal years prior. By adjusting these costs two fiscal years later to account for the difference between budgeted and actual overhead recoveries and expenditures, special revenue funds and Department programs can be charged correctly for actual overhead costs. The FY 2005-2006 cost allocation plan would have been the first year that the Recreation and Park Department adjusted the overhead allocation calculation to account for actual recoveries and expenditures two years prior, but the Department did not make the adjustment.

To ensure that the special revenue funds and Department programs are charged overhead costs correctly and comply with Federal, State, and local regulations where applicable, the Recreation and Park Department should review its methodology for calculating and applying the annual carry forward adjustments when calculating the overhead allocation in the annual budget.

Conclusions

The Recreation and Park Department faces significant capital costs for three revenue-generating programs, which include Monster Park Stadium, Camp Mather, and the Marina Yacht Harbor, without an identified revenue source to pay for the improvements. The Recreation and Park Department needs to analyze its options for renovating these three facilities and present status reports to the Board of Supervisors that include financial analysis and projections and available options.

The Department also should evaluate its procedures for setting overhead rates and adjusting overhead costs to account for differences in budgeted and actual costs two fiscal years' prior when developing the annual budget.

Recommendations

The Recreation and Park Department General Manager should:

7.1 Report to the Board of Supervisors prior to December 31, 2006, on the options for repair or replacement of Monster Park Stadium, the planning process, and the timelines.

7.2 Assess the Camp Mather facilities to identify the need for capital repairs or replacement, estimate costs, and set priorities and schedules for repair and replacement.

7.3 Report to the Board of Supervisors during FY 2006-2007 on Camp Mather's operating and capital costs, the impact on fees, and the options for maintaining Camp Mather.

7.4 Evaluate the West Harbor's fiscal feasibility, in the absence of renovating the East Harbor, by (a) defining the Marina Yacht Harbor's fixed costs and identifying the impact of allocating 100 percent of fixed costs to the West Harbor, and (b) projecting revenues based on alternative berthing rate scenarios.

7.5 Provide a status report to the Board of Supervisors on (a) the status of the California Department of Boating and Waterways loan for the East Harbor renovation, (b) the status of the City's legal dispute with the Pacific Gas and Electric Company regarding responsibility and costs for the contaminated East Harbor soil, and (c) alternative revenue and cost scenarios for the Marina Yacht Harbor's West and East Harbors during the FY 2006-2007 budget review.

7.6 Direct the Director of Administration and Finance and the Director of the Capital Program to evaluate the Department's methodology for determining indirect and direct costs when setting overhead rates and identify all costs that should be charged directly.

7.7 Direct the Director of Administration and Finance to review the Department's methodology for calculating and applying the annual carry forward adjustments when calculating the overhead allocation in the annual budget, to ensure that the special revenue funds and Department programs are charged overhead costs correctly and comply with Federal, State, and local regulations where applicable.

Costs and Benefits

The Budget Analyst's recommendations are intended to bring the discussion of the Department's capital costs and funding sources for Monster Park Stadium, the Marina Yacht Harbor, and Camp Mather before the Board of Supervisors, including a discussion of whether the Recreation and Park Department or a private entity could better bear the cost and responsibility of renovating and operating the facilities.

Implementation of the Budget Analyst's recommendations to better manage the cost allocation plan would align the Department's overhead costs more appropriately with the Department's funds and programs.

8. Recreation and Park Department Property Use and Lease Management

- The Recreation and Park Department has inadequate systems to monitor its property leases and revenue collections, and ensure coordination between Property Management and Revenue Unit staff. The Budget Analyst found several instances of late or missed rent payments during a review of the Department's 14 top revenue-generating leases. For example, the St. Francis Yacht Club failed to make a $6,176 monthly payment in September 2002, which was unnoticed by the property manager, and since that time the Revenue Unit has posted each subsequent monthly payment as a late payment. Under the Lincoln Park Golf Course lease agreement, the minimum annual guaranteed rent is to be increased by the Consumer Price Index through 1997, but Department has failed to do this, resulting in an estimated underpayment of $19,000 in calendar year 2004.

- The Recreation and Park Commission approved an amendment to the lease agreement between the Department and the Japanese Tea Garden operator, reducing the minimum annual guaranteed rent for the Japanese Tea Garden in FY 2003-2004, from $280,000 annually to $150,000, after the operator failed to pay the minimum annual guarantee two years in a row, due both to a decline in tourism and construction of the adjacent de Young Museum. The Recreation and Park Department expects to select a new operator through a Request for Proposal process in January 2006 and needs to negotiate financial lease terms that acknowledge expected increased Japanese Tea Garden attendance and maximize lease revenues to the Department, comparable to FY 2000-2001 Japanese Tea Garden lease revenues of $286,493 based on attendance of 422,253.

- The management agreement with Kemper Sports Management to operate Harding Park and Fleming Golf Courses makes the City responsible for repaying a loan taken by Kemper without requiring Kemper to provide loan documentation to the City and without Board of Supervisors approval. The management agreement allows Kemper to borrow up to $2 million from a financial institution of its choosing to pay for golf course costs prior to opening and construct interior improvements to the clubhouse, requiring the City to pay back the loan. The Board of Supervisors should adopt an ordinance, amending the Administrative Code, that requires Board of Supervisors approval for all leases and management agreements entered into by any City department, which makes the City responsible for any debt incurred under the lease or management agreement.

- **Kemper refused to provide the Budget Analyst with copies of the applicable loan documents. The General Manager should immediately request copies of the subject loan documents from Kemper Sports Management, and should request the Controller to audit the management agreement with Kemper if such loan documents are not provided. If Kemper Sports Management refuses to both (a) provide the loan documents to the City within 30 days of the Department's request, and (b) cooperate with a subsequent audit by the Controller, the Recreation and Park Department should terminate the management agreement with Kemper.**

- **The Rod and Gun Club, which has occupied Lake Merced property owned by the Public Utilities Commission and under the jurisdiction of the Recreation and Park Department since the 1930s, contaminated the soil with lead shot prior to switching to steel shot in 1994. Because lead shot was permitted prior to 1994, the costs of lead mitigation, for which $3 million has been budgeted in the Water Supply Improvement Program, are borne by the Public Utilities Commission and the water rate payers rather than by the Rod and Gun Club. According to Public Utilities Commission staff, although the current use of the site by the Rod and Gun Club does not in itself present undue risk, debris from gun shot can still present a problem, overburdening the site. Because the Rod and Gun Club currently operates at the Lake Merced property on a month-to-month lease at a rent of only $4,250 per month, and because of the issues discussed above, the Recreation and Park Department should determine if the existing month-to-month lease with the Rod and Gun Club is the best use of the Lake Merced property or if the Department should enter into a lease agreement for the subject property for other types of property uses consistent with the Lake Merced Master Plan, under development by the Public Utilities Commission.**

- **The Recreation and Park Department should also determine the best uses of the Lake Merced Boathouse, with the intent that the lessee would pay for capital repairs and improvements at a minimum estimated cost of $500,000. Under a current draft Request for Proposals, the Recreation and Park Department suggested several different uses, ranging from purely commercial to mixed use to recreational, without the Department first determining how the property should best be utilized. The Recreation and Park Department should determine the best uses of the Lake Merced Boathouse, considering the capital costs and community preferences, prior to issuing the Request for Proposals.**

Managing the Department's Lease Agreements

Under the Park Code, Recreation and Park Department properties must be used for recreational purposes. The Recreation and Park Department has 63 lease, license or concession agreements, which generated approximately $22.4 million in General Fund revenues in FY 2004-2005, for the use of Department property consistent with the Park Code. The Department of Parking and Traffic manages four parking garage lease agreements: St. Mary's, Civic Center, Portsmouth Square, and Union Square. The remaining 59 agreements are managed by the Recreation and Park Department's Property Management Unit, which is part of the newly created Partnerships and Property Division.. The Recreation and Park Department's agreements can range from short term agreements, such as the agreement with Sony Film Studios to film a motion picture on Recreation and Park property, to long term leases, such as the Department's agreement with the Forty-niners for use of Monster Park Stadium.

In FY 2004-2005, the Recreation and Park Department also generated $8.3 million in golf course revenues from golf course leases and management agreements and $1.5 million from Marina Yacht Harbor berthing fees and yacht club and other concessions.

The Department's Systems and Procedures for Monitoring Lease and Other Agreements

Because the Recreation and Park Department has inadequate systems to monitor leases and revenues, the Department does not manage its leases efficiently, resulting in lack of lease oversight and missed payments and lost revenues. The Recreation and Park Department has a lease management system, implemented in 1997, which is not maintained by the Department's Information Technology Unit and receives only limited use by property management staff. The 2003 Information Technology Strategic Plan identified significant deficiencies in the lease management system, including the failure of the lease management system to tie into the revenue tracking system. Although the Department is currently implementing a new revenue tracking system, the Department has not adapted the new revenue tracking system to the existing lease management system nor developed plans to upgrade the lease management system to be a useful tool.

Monitoring Lease Revenues and Other Lease Provisions

Most lease information is kept in hard copy files and comprehensive lease information is not stored centrally or readily available. For example, evidence of current insurance coverage was not always accessible and required follow-up to find current documentation.

More importantly, revenue files were not consistently maintained, resulting in late or missing payments not readily identified. The Administration and Finance Division's Revenue Unit is responsible for lease revenue collections, although the Partnership and Property Division's Property Management Unit property managers are responsible for reviewing rent receipts quarterly and reconciling percentage rent against the minimum annual guaranteed rent in the lease agreement.

The Recreation and Park Department has failed to develop a system of communication and coordination between the Revenue Unit staff and property managers, and to ensure that property managers are effectively monitoring property revenue collections. The Revenue Unit staff receive revenues but are not responsible for ensuring that the revenues are accurate under the terms of the lease agreement. Property managers do not consistently monitor that property rents are received on time or that late payment penalty charges are applied. During a review of the Department's 14 top revenue-generating lease agreements, the management audit found several deficiencies in revenue collection. For example:

- The St. Francis Yacht Club failed to make payment in September 2002 but the property manager was unaware of the missed payments. Additionally, the St. Francis Yacht Club made several late payments in 2004 and 2005 but the Department did not require the tenant to pay late fees. Based on the Budget Analyst's findings, the property manager sent a letter to the St. Francis Yacht Club on October 28, 2005, requesting documentation from the St. Francis Yacht Club on whether the payment was paid and a second letter demanding $377 in late fees for six late payments in 2004 and 2005.

- The Department did not notify the Golden Gate Yacht Club in writing of late payments in 2002 and 2003. The only documentation in the file was a letter from the Golden Gate Yacht Club to the Recreation and Park Department, identifying the late payments and calculating the repayment schedule.

- The Department did not assess late fee penalties to the Palace of Fine Arts Theatre for late payments from January 2005 through March 2005. According to the Department staff, although the Palace of Fine Arts was assessed and paid rent at fair market value of $18,500 per month from January 2004 through March 2005, the Recreation and Park Commission did not approve a formal lease agreement with the Palace of Fine Arts until April 2005. Because the Department had no formal provision to assess late fees prior to the new lease agreement in April 2005, the Department was unable to assess late fees for the late payments made prior to that date.

- Under the Lincoln Park Golf Course lease agreement, the minimum annual guaranteed rent is to be increased by the Consumer Price Index through 1997. The Department has failed to do this, resulting in an estimated underpayment of $19,000 in calendar year 2004.[1]

The FY 2005-2006 Recreation and Park Department budget contains funding for a new Director of Partnerships and Property position to manage the Department's chief marketing and revenue-producing functions. To ensure adequate management oversight over these functions, the Recreation and Park Department should expedite hiring of this new position.

---

[1] The Lincoln Park Golf Course paid $63,055 in rent in 2004. The Budget Analyst calculates that the minimum annual guaranteed rent should be $82,086, based on the Consumer Price Index for San Francisco, base year 1967.

The Recreation and Park Department should develop a lease management system that ties into the revenue tracking system, allowing property management staff to readily monitor lease provisions and payments. The Director of Administration and Finance in coordination with the new Director of Partnerships and Property should assess the Department's current system capability and needs, including tie-in of the lease management system with the new revenue tracking system, and present estimates of costs and timelines for the lease management system upgrades and revenue tracking system tie-in to be presented to the Recreation and Park Commission during the FY 2006-2007 budget review.

The Recreation and Park Department should ensure that the Revenue Unit staff and property managers coordinate and share information about lease revenue collections, including regular channels of communications and review and revision of existing revenue monitoring protocols. Additionally, the Director of Partnerships and Property should review and revise existing protocols and develop rigorous standards to enforce lease provisions, including routinely monitoring lease payments, assessing penalties for all late payments, routinely reviewing and reconciling percentage and other rent payments, adjusting the minimum annual guarantee rents under the terms of the lease agreement, and requiring timely submission of certified financial statements or audit reports.

The Japanese Tea Garden

The Recreation and Park Department issued a Request for Proposal to lease and operate the Japanese Tea Garden tea house, gift shop, and other concessions on July 7, 2005. Department staff expect to recommend a respondent to the Recreation and Park Commission in January of 2006.

Under the existing lease agreement between the Recreation and Park Department and Fashion House, Inc., which was effective from July 1, 2003 through June 30, 2005, the lessee was to pay rent of $150,000 annually, based on Tea Garden attendance of 350,000 annually. If annual attendance increased to more than 375,000, the minimum annually guaranteed rent increased along a graduated schedule.

Rent under the July 1, 2003 lease agreement was significantly reduced from the prior agreement between the Recreation and Park Department and Fashion House, Inc. In FY 2001-2002 and FY 2002-2003, Fashion House, Inc. had failed to make the minimum annual guaranteed rent payments. The Recreation and Park Commission approved a renegotiated lease, reducing both the minimum annual guaranteed rent and percentage rent. Minimum annual guaranteed rent was reduced from $280,000 to $150,000 annually and percentage rent was reduced from 38.5 percent to 25 percent. Under the July 1, 2003 lease agreement, both minimum annual guaranteed rent and percentage rent increased on a graduated schedule if attendance increased above 350,000 annually.

Japanese Tea Garden attendance dropped after September 11, 2001, and continued to be lower than in prior years due both to a decrease in San Francisco tourism and to the closure and construction of the adjacent de Young Museum and the Academy of Sciences. Attendance decreased from 422,253 in FY 2000-2001 to 345,536 in FY 2004-2005. Under the terms of the July 1, 2003 lease agreement, Japanese Tea Garden attendance would have to increase to 550,000 annually for the lease revenues to equal the lease revenues under the terms of the prior agreement.[2] The July 1, 2003 lease agreement resulted in approximately $100,000 in reduced Japanese Tea Garden revenues annually.

In the July of 2005 Request for Proposal, the Recreation and Park Department has set the minimum acceptable minimum annual guaranteed rent at $180,00 and requires the respondent to submit a detailed percentage rent proposal for each revenue stream. The Recreation and Park Department is evaluating candidates to lease and operate the Japanese Tea Garden based on three general criteria: experience and qualifications (30 points), management plan (40 points), and proposed financial terms (30 points).

The Recreation and Park Department needs to negotiate financial lease terms that acknowledge expected increased Japanese Tea Garden attendance and maximize lease revenues to the Department.[3] In October 2005, the adjacent de Young Museum and 800-space Music Concourse Parking Garage opened. The de Young Museum expects attendance of 1.0 - 1.2 million annually in the first two years, and an annual attendance of 650,000 - 750,000 each year thereafter.

In FY 2000-2001, Japanese Tea Garden lease revenues were $286,493 based on attendance of 422,253. Given the improving state of San Francisco tourism and the recently opened capital improvements adjacent to the Japanese Tea Garden, the Recreation and Park Department should negotiate lease terms that allow the Department to receive revenues at least comparable to those generated in FY 2000-2001.[4]

Harding and Fleming Golf Courses Management Agreement

The Recreation and Park Department's golf courses are under several different lease or management agreements.

- The Department entered into a management agreement with Kemper Sports Management to manage the Harding and Fleming Golf Courses in April 2003.
- The Department entered into a management agreement with Global Golf Management to manage the Golden Gate Park Golf Course in May 2004.

---

[2] Under the July 1, 2003 agreement, minimum annual guaranteed rent was $280,000 and percentage rent was 38.5 percent only when attendance reached 550,000. Under the prior agreement, minimum annual guaranteed rent was $280,000 and percentage rent was 38.5 percent at all levels of attendance.

[3] The Recreation and Park Department also receives all Japanese Tea Garden gate revenues, which were $1.08 million in FY 2004-2005.

[4] Although the amended lease agreement between the Department and the Japanese Tea Garden operator was not subject to Board of Supervisors approval pursuant to Charter Section 9.118, the Recreation and Park Department expects that the new Japanese Tea Garden lease agreement will require Board of Supervisors approval under the Charter.

- The Department first entered into a 20-year lease agreement to manage the Sharp Park Golf Course restaurant and pro shop with a joint venture partnership, consisting of Jack Gate, Joan Lantz and Mike Shannon, in 1983. The lease agreement was reassigned to Sharp Park Restaurant and Pro Shop, Incorporated, in 1995 under a third amendment to the lease.

- The Lincoln Park Golf Course restaurant and pro shop operates under an original lease agreement, which began in 1982, and was most recently reassigned to Yugi Golf Management in March of 2001. The Recreation and Park Department issued Requests for Qualifications to operate the Sharp Park and the Lincoln Park Golf Courses' restaurants and pro shops in 2004. The Department received three responses to the Lincoln Park Golf Course restaurant and pro shop Request for Qualifications, but rejected all three bids. The Department is now considering various options, including bundling the Sharp Park and Lincoln Park Golf Courses into one agreement and/or soliciting private philanthropic funds to pay for some or all of the costs of renovating the golf courses.

The Department's Agreement With Kemper Sports Management to Manage Harding and Fleming Golf Courses

Harding and Fleming Golf Courses re-opened in FY 2003-2004 after a $23,611,457 renovation of the two golf courses, as discussed in Section 6 of this management audit report. The Recreation and Park Department solicited candidates to manage the Harding and Fleming Golf Courses through a Request for Proposal and selected Kemper Sports Management among the six respondents in February 2003. The Department entered into a management agreement with Kemper in April 2003, which is effective through June 2010. Under the management agreement, Kemper manages the golf course operations, including hiring and supervising the appropriate staff. The Recreation and Park Department retains responsibility for maintaining the golf courses and facilities.

The Recreation and Park Department's management agreement with Kemper Sports Management pays Kemper $192,000 per year to operate the golf course, plus reimbursement for all operating expenses. Additionally, the Recreation and Park Department pays the costs of maintaining Harding and Fleming Golf Courses, which includes approximately 26 full time staff positions. As shown in Table 8.1, net Harding and Fleming Golf Courses' revenues, which are allocated to the Golf Fund, were approximately $780,000 in FY 2004-2005.

Table 8.1

The Department's Net Revenues under the Management Agreement with Kemper Sports Management, FY 2004-2005

	July 2004 through June 2005
Total Harding/Fleming Revenues	$5,391,136
Kemper's Management Fee	192,000
Kemper's Operating Expenses	208,100
Total Kemper Expenses	1,656,820
Subtotal Kemper Expenses	2,056,920
Recreation and Park Department Maintenance Costs	2,551,916
Net Revenues	**$782,300**

Source: Recreation and Park Department

Under the management agreement, Kemper is to submit an annual management plan and budget to the Recreation and Park Commission describing the Kemper manager's and the Department's goals for the coming year. The Department's property manager reviews Harding and Fleming Golf Courses' actual revenues and Kemper's actual expenditures against revenues each month.

Kemper's Loan Agreement

The management agreement with Kemper Sports Management makes the City responsible for repaying a loan taken by Kemper without requiring Kemper to provide loan documentation to the City and without Board of Supervisors approval. The management agreement provides for Kemper to borrow up to $2 million from a "financial institution of its choosing" to pay for operating costs prior to the opening of Harding and Fleming Golf Courses and to construct interior improvements to the new Harding Park Golf Course clubhouse, although the principal balance can not exceed $1 million at any one time. Kemper Sports Management has borrowed $969,640, for which the City is obligated to reimburse Kemper the monthly loan payments and repay the loan in full if the management agreement terminates, except in the event of default by Kemper. The City retains ownership of the improvements.

Although the management agreement sets parameters for loan amortization and interest rates[5], the management agreement did not require that Kemper seek further approval from the Recreation and Park Department for loan documents nor provide the Department with loan documents. The Recreation and Park Department receives monthly vouchers to reimburse Kemper for the loan payments but does not have records of the loan amortization schedule or other loan documents. Kemper Sports Management rejected the Budget Analyst's request to obtain copies of the loan documents. Because the management agreement did not meet the Charter requirements requiring Board of Supervisors approval, the Recreation and Park Department did not submit the management agreement to the Board of Supervisors for approval.

Because third parties should not incur ongoing liabilities for the City without prior review by the Board of Supervisors, the Board of Supervisors should adopt an ordinance, amending the Administrative Code, to require Board of Supervisors approval for all leases and management agreements entered into by any City department, which makes the City responsible for any debt incurred under the lease or management agreement.

Further, the General Manager should immediately request copies of the subject loan documents from Kemper Sports Management, pursuant to the City's right to audit Kemper Sports Management's revenues and expenditures under the management agreement, and should request the Controller to audit the management agreement with Kemper if such loan documents are not provided. If Kemper Sports Management refuses to both (a) provide the loan documents to the City within 30 days of the Department's request, and (b) cooperate with a subsequent audit by the Controller, the Recreation and Park Department should terminate the management agreement with Kemper.

Lake Merced Property Use

The Recreation and Park Department manages Public Utilities Commission land adjacent to Lake Merced under an agreement dating back to the 1930s. The Public Utilities Commission is beginning the planning process to develop the Lake Merced Master Plan, and as part of that process the Recreation and Park Department needs to determine the best use of its Lake Merced properties, especially the site currently occupied by the Rod and Gun Club and the Lake Merced Boathouse.

The Rod and Gun Club at Lake Merced

The Rod and Gun Club has had an agreement to lease Lake Merced property from the City since 1934, which currently is month-to-month and for use of the land only. Prior to 1994, the Rod and Gun Club used lead shot which has contaminated the soil, but because lead shot was a permitted use during that time, the costs of lead mitigation in and around Lake Merced are borne by the Public Utilities Commission and the water ratepayers rather than by the Rod and Gun Club.

---

[5] Tranche 1 of the loan was to be amortized over 48 months, beginning July 1, 2003, and Tranche 2 of the loan was to be amortized over the remaining term of the management agreement through June 2010 at an interest rate equal to the prime rate plus 1.5 percent per annum.

The Public Utilities Commission recently completed a study of Lake Merced, which assessed the potential and impact of raising the Lake Merced water level as part of the Water System Improvement Plan. The study concluded that raising the water could oxidize the lead, potentially contaminating the water, and recommended that the Public Utilities Commission either conduct further investigation or clean up the site as needed.

The Public Utilities Commission does not necessarily consider the lead contamination of the soil to present a health risk under current use, although raising the Lake Merced water levels could present lead contamination risks. Changing use of the site could also present risks, especially if children were to come into contact with the lead contaminated soil.

The current use of the site by the Rod and Gun Club does not in itself present undue risk, according to Public Utilities Commission staff, to the extent that the current steel shot is not a contaminant. However, debris from gun shot can still present a problem, overburdening the site. The Public Utilities Commission has funded $3 million for Lake Merced shoreline clean up but has not funded clean up of the land adjacent to the Lake. Lake Merced clean up costs are born by the Public Utilities Commission and the water rate payers and not by the Recreation and Park Department or the Rod and Gun Club.

The Recreation and Park Department should present regular reports to the Recreation and Park Commission on the status of discussions with the Public Utilities Commission for the best use of the Lake Merced property currently occupied by the Rod and Gun Club.

The Lake Merced Boathouse

The Recreation and Park Department submitted a request to the Recreation and Park Commission in April of 2005 to approve the issuance of a Request for Proposals to rehabilitate and lease the Lake Merced Boathouse. The Lake Merced Boathouse requires extensive renovation, with minimum estimated costs to bring the Boathouse system up to code of at least $500,000, according to the Department of Public Works. The Recreation and Park Department has prepared a draft Request for Proposals that would require respondents to be responsible for the Boathouse renovation.

The Recreation and Park Department met with the Lake Merced Task Force and conducted an open community meeting to identify community interest in the property use. The Department did not determine the best use of the property but rather, in drafting the Request for Proposals, suggested several different uses ranging from commercial to mixed use to recreational. In the report to the Recreation and Park Commission, the Recreation and Park Department staff presented several alternative uses for the property, including:

- Boat rentals, bait and tackle sales, fishing permits, continued or expanded boat storage.
- Full scale or casual restaurant and bar, snack bar, or night club, or live entertainment use.

- Lodging, such as a boutique hotel or bed and breakfast.
- Sports medicine or rehabilitation center.
- Community recreation or environmental education center.

The goals of the project, as outlined in the report to the Recreation and Park Commission, were to:

- Enhance recreational opportunities at Lake Merced that complement the recreation opportunities available at Harding Park Golf Course.
- Provide and maintain publicly accessible recreational services such as restrooms, boat launches and piers, community facilities, and/or an environmental education center.
- Secure a single tenant with sufficient resources to implement and operate a self-sustaining program without City investment.
- Increase City revenue from the site.

The Recreation and Park Department needs to determine the best uses for the Lake Merced Boathouse prior to submitting the draft Request for Proposals to the Recreation and Park Commission, including if the Department should solicit a commercial tenant in order to fund the costs of renovation. The Recreation and Park Department has prior experience with property leases in which the tenant paid for the costs of renovation or improvements and used the property as a commercial venture. In the 1995 lease agreement for the Beach Chalet, the Recreation and Park Department entered into a 20-year lease in which the tenant renovated the building, including preserving the historic content of the building. The tenant then operated a full service restaurant at the Beach Chalet, paying the Recreation and Park Department minimum and percentage rents.

However, according to the Recreation and Park Department's report to the Recreation and Park Commission, the Lake Merced Boathouse is not necessarily intended for commercial use. When the Recreation and Park Department submits the draft Request for Proposals to the Recreation and Park Commission, the Department should present an analysis of the best uses of the Lake Merced Boathouse, including (a) potential for commercial development along the lines of the Beach Chalet, or (b) mixed-use or recreational development, and whether these uses would generate sufficient funds to pay the costs of renovation.

Conclusions

The Recreation and Park Department has inadequate systems to monitor leases and track lease revenues. The Department's hard copy files are not organized to readily identify if tenants are complying with insurance and other lease provisions. Nor can property managers track lease payments readily. The Department also needs more rigorous lease monitoring, including requiring all property managers to routinely monitor lease payments and consistently enforce late payment policies.

The Recreation and Park Department also needs to negotiate lease terms that better serve the Department and the City. The Department entered into an agreement with Kemper Sports Management to manage the Harding Park and Fleming Golf Courses, allowing Kemper to borrow up to $2 million and obligating the City to repay the loan, without access or approval over the loan documents. Also, the Department the Department should negotiate Japanese Tea Garden lease terms that bring minimum annual guaranteed rent revenues to the level that existed before the 2001 decline in tourism and the opening of the de Young Museum and the Music Concourse Parking Garage.

The Department also should review its existing and proposed property uses on Lake Merced to ensure that the community is well-served. For example, the Rod and Gun Club is a long-standing use, but the use of lead shot prior to 1994 has resulted in soil contamination that could impact rising Lake Merced waters or alternative uses that make the site available to children's recreation. Also, the Department needs to determine the best use of the Lake Merced Boathouse to ensure that the proposed use can generate sufficient funds to pay for the Boathouse's renovation.

Recommendations

The Board of Supervisors should:

8.1 Adopt an ordinance, amending the Administrative Code, that requires Board of Supervisors approval for all leases and management agreements entered into by any City department, which makes the City responsible for any debt incurred under the lease or management agreement.

The Recreation and Park Department General Manager should:

8.2 Expedite hiring of the new Director of Partnerships and Property position.

8.3 Direct the Director of Administration and Finance and the Director of Partnerships and Property to (a) assess the Department's current system capability and needs, including tie-in of the lease management system with the new revenue tracking system, and (b) present estimates of costs and timelines for the lease management system upgrades and revenue tracking system tie-in to be presented to the Recreation and Park Commission during the FY 2006-2007 budget review.

8.4 Direct the Director of Administration and Finance and the Director of Partnerships and Property to (a) review and revise existing revenue monitoring protocols to ensure that property managers and Revenue Unit staff share lease revenue collection data on a monthly basis, and (b) develop a schedule to review coordination of lease revenue information and data.

8.5 Direct the Director of Partnerships and Property to review and revise existing protocols and develop rigorous standards to enforce lease provisions, including (a) routinely monitoring lease payments, (b) assessing penalties for all late payments, (c) routinely reviewing and reconciling percentage and other rent payments, (d) adjusting the minimum annual guarantee rents under the terms of the lease agreement, and (e) requiring timely submission of certified financial statements or audit reports.

8.6 Recommend financial terms in the prospective Japanese Tea Garden lease to the Recreation and Park Commission that maximize lease revenues based on expected increases in Japanese Tea Garden attendance, including achieving revenues of at least $280,000 annually based on attendance of 425,000.

8.7 Immediately request loan documents from Kemper Sports Management.

8.8 Request the Controller to audit the management agreement between the Department and Kemper Sports Management if Kemper Sports Management does not provide the loan documents.

8.9 Terminate the management agreement with Kemper Sports Management if Kemper Sports Management refuses to both (a) provide the loan documents to the City within 30 days of the Department's request, and (b) cooperate with a subsequent audit by the Controller.

8.10 Present regular reports to the Recreation and Park Commission on the status of discussions with the Public Utilities Commission for the best use of the Lake Merced property currently occupied by the Rod and Gun Club.

8.11 Determine the best uses for the Lake Merced Boathouse prior to submitting the draft Request for Proposals to the Recreation and Park Commission.

8.12 Present an analysis of the best uses of the Lake Merced Boathouse, including commercial development along the lines of the Beach Chalet, or mixed-use or recreational development, and whether these uses would generate sufficient funds to pay the costs of renovation, when submitting the draft Request for Proposals to the Recreation and Park Commission.

Costs and Benefits

The Recreation and Park Department generates approximately $22.4 million annually in property lease revenues. If the Department were to increase revenues by 1 percent through more rigorous lease management and rent negotiations, the Department would increase revenues by approximately $224,000 annually.

9. Management of Permits, Fees, and Other Revenues

- **Although the 1996 Charter required Board of Supervisors approval to charge fees, the Recreation and Park Department continues to charge a $35 facility use fee to community organizations to use Recreation and Park Department facilities that have not been approved by the Board of Supervisors. The Budget Analyst recommends that this $35 facility use fee be submitted to the Board of Supervisors for approval.**

- **In a review of 50 randomly-selected permit files, the Budget Analyst found that the Recreation and Park Department charged fees that were consistent with the Park Code in only 22, or 44 percent, of the 50 permits.**

- **The Park Code allows the Recreation and Park Commission to adopt policies and regulations authorizing the General Manager to reduce or waive fees or costs imposed under the Park Code in cases of demonstrated financial hardship. The Department waived event fees entirely in 10, or 20 percent, of the 50 permit files. In one case, the Recreation and Park Department violated the Park Code in granting a permit but not charging a fee to the Boudin Embarcadero for parking a refrigerated mini van on Justin Herman Plaza, although the Park Code has established a $500 minimum fee to encroach on park property, including parking vehicles. All fee waivers not authorized by the Park Code should be submitted to the Board of Supervisors for approval, prior to granting such waivers.**

- **The Department also violated the Park Code by charging fees that were less than the fees established by the Park Code, indicating a lack of management control and consistent procedures. For example, the Recreation and Park Department issues a permit to KNBR Radio for a commercial event promoting SBC and the Giants home opener, and charged KNBR Radio the non-commercial rate of $500 rather than the commercial rate of at least $5,000.**

- **The Department approved and issued event permits for three consecutive years to Events West, a production company, for Reggae in the Park, although the Department received no payments for the 2001 Reggae in the Park and did not receive full payment for the 2002 and 2003 Reggae in the Park events. The Department approved and issued event permits for to Events West for the 2003 A la Carte a la Park, although Events West had not paid in full for the 2002 A la Carte a la Park. Events West owes the Recreation and Park Department a minimum of $62,000 in outstanding event fees from 2001 to 2003.**

- **Organizations and individuals conduct classes at Recreation and Park Department facilities, charging participants to attend the classes, but do not pay rent to the Recreation and Park Department to use the facility. For example, participants pay to attend Hawaiian dance classes at the Sunset Recreation Center but the organization providing the classes and receiving the revenues does not pay rent to the Recreation and Park Department for use of the Sunset Recreation Center. These rentals should be authorized under written license agreements by the Department's Property Management Unit.**

The Recreation and Park Department's Fees

The Recreation and Park Department charges fees for different activities, including fees for participating in Department programs, reserving Department property for various types of events, and admission to Department facilities. The Recreation and Park Department increased many of its existing fees and added new fees in FY 2003-2004 and FY 2005-2006. The Park Code authorizes the Controller's Office to adjust Recreation and Park Department fees each year by the Consumer Price Index. In FY 2004-2005, the Department's fee revenues were approximately $4.5 million.

Reservation and Permit Fee Revenues

The Recreation and Park Department's Permits and Reservations Unit is responsible for athletic field, picnic, special event, film, and wedding reservations or permits. The Department's permit and reservation policy was adopted by the Recreation and Park Commission in 1997.

The Department's fee schedule, included in the Park Code, is approved by Board of Supervisor ordinance. Section 7 of the Park Code requires that the Recreation and Park Department issue permits for all events conducted on Recreation and Park Department property and authorizes the General Manager to impose reasonable conditions on approval of a permit application in order to insure that public or private property is not damaged and that the comfort, convenience, safety or welfare of the public is not disturbed. Section 12 of the Park Code sets fees for permitted use of Recreation and Park Department property.

Complying with the Park Code in Charging, Reducing, or Waiving Fees

The Recreation and Park Department charges fees that are not explicitly listed in the Park Code. The Park Code authorizes the General Manager or his designee to set additional fees that are determined to be necessary to compensate the Department for an event's anticipated impact on Recreation and Park Department property.[1] The Department charges several fees, such as the "ground regeneration fee" to offset costs of restoring park grounds and plantings that may become damaged during an event. The General Manager should develop a written policy, defining the type, purpose, and amount of each additional charge to an event sponsor, to ensure that such charges are consistent with the Park Code.

---

[1] Park Code Section 12.22, which sets fees for events on Recreation and Park Department property, provides that the Department may charge any "additional fees determined by the General Manager, or a

Event Permit Fees

The Park Code contains a fee schedule for commercial, community, athletic, and amateur arts events. Event fees for commercial events range from $2,500 to $10,000 depending on the size of the event. Gated events charging admission pay 25 percent of gross receipts if payment of percentage fees is greater than $10,000. Community and non-profit events pay fees ranging from $500 to $5,000 depending on the event size.

The Recreation and Park Department has a long standing practice to charge a $35 facility use fee to some religious, political, or cultural events in lieu of the event fees established in the Park Code. The Department has no formal criteria for charging this $35 facility use fee nor submitted the fee to the Board of Supervisors for approval and inclusion in the Park Code.

Fee Waivers

The Park Code authorizes the Recreation and Park Commission to (a) waive fees for Federal, State, and local government agencies and (b) adopt policies and regulations authorizing the General Manager to reduce or waive fees or costs imposed under the Park Code in cases of demonstrated financial hardship when a permit applicant meets all other permit requirements. The Recreation and Park Commission's written policy states specifically that fees may be waived for nonprofit organizations in exchange for services, but the Recreation and Park Department's practice is to waive fees for youth and school groups and for media or press events.

---

designee, to be necessary to compensate the Department for the anticipated impact on park property and/or services, the disruption of normal park usage and the inconvenience to the public, because of the type of event, the location, the number of expected participants and other similar factors" . Park Code Section 12.24, which sets fees for film, photography and video events on Recreation and Park Department property, provides that the Department may charge any "additional fees determined by the General Manager, or a designee, to be necessary to compensate the Department for the anticipated impact on park property and/or services, the disruption of normal park usage and the inconvenience to the public, because of the type of event, the location, the number of expected participants and other similar factors" . Park Code Section 12.25, which sets fees for encroachment on Recreation and Park Department property, provides that the Department may charge "any additional fees and/or costs that the General Manager, or a designee, determines appropriate based on the anticipated impact on park property and/or services, because of the type of activity, number of workers, type and amount of equipment to be placed or transported over park property, and other similar factors".

Table 9.1 shows the fees charged for 50 randomly-selected events held in FY 2004-2005.

Table 9.1

Fees Charged to 50 Randomly Selected Events in FY 2004-2005

	$35 Fee Applied	Fee Applied in Accordance with the Park Code	Another Fee Applied	No Fee Applied
Youth Event			1	2
Religious Event	2			
Cultural or Political Event	5	11	2	4
Commercial Event		1	5	1
Sports Event		2	1	
Press or Media Event				2
City Department Sponsored Event		4		
Other	—	4	2	1
Total	**7**	**22**	**11**	**10**

Source: Recreation and Park Department Reservation and Permit Files

The Recreation and Park Department does not comply with the Park Code in waiving or reducing fees or charging the $35 facility use fee. In the Budget Analyst's review of the 50 randomly-selected permit files, the Department complied with the Park Code in charging fees to 22 permits, or 44 percent. The Department failed to comply with the Park Code in charging fees to 28 permits, or 56 percent.

The Department has no consistent practice in applying the $35 facility use fee or waiving fees. The Hellenic Independence Day event, which was charged a $35 facility use fee, does not differ in character from the Mexican Independence Day event or the Hungarian Day Celebration in the Park, for which no fees were charged.

The seven events in which the $35 facility use fee was charged include:

- The Noe Valley Ministry Day of Prayer and Reflection.
- Falun Gong's silent demonstration with approximately 20 participants.
- The Hellenic Independence Day event, which included Greek dancing.
- The True Hope Church's outreach program to the homeless, which included food and amplified sound and anticipated 300 participants.
- The Coalition on Homelessness for a rally and press conference.

- The Kamehameha Schools' Alumni Association to protest a Ninth Circuit Court decision affecting Native Hawaiian rights and entitlements, with 300 expected participants.

- The Gregorian Chant Festival, with 20 expected participants.

The Department charged the World Laughter Tour a $25 fee to hold a laughter club session for 20 to 50 participants but the file contains no explanation for the charge.

In practice, the Department waives fees for performing youth groups or school field trips and for certain civic events at the request of the Mayor's Office although such waivers are not included in the Park Code or in the Recreation and Park Commission's written policy. As shown in Table 9.2, the Department waived fees in 10 of the 50 permits, or 20 percent. Nine of these fee waivers were to youth, nonprofit, or community organizations.:

- Two events for youth, including a student art display and a prayer service.

- Two press events, including an informational picket line, conducted by the Communication Workers of America, and an event supporting a fundraiser for Hurricane Katrina victims.

- A musical performance by Brown University students.

- The Mexican Independence Day celebration.

- The Hungarian Day Celebration in the Park.

- A sponsored charity walk along the Marina Green Walkway.

- One event for Park volunteers, sponsored by Levi Strauss and Company.

The permit files did not contain documentation, indicating that the Department received services in exchange for these free events except for the event sponsored by Levi Strauss and Company for Park volunteers.

The Department violated the Park Code in granting a permit but not charging a fee to the Boudin Embarcadero commercial event, which consisted of parking a refrigerated mini van on the concrete area outside the Boudin Store on Justin Herman Plaza. The Park Code has established a $500 minimum fee to encroach on park property, including parking vehicles.

Under the Park Code, the Recreation and Park Department may waive fees for Federal, State, and City agencies requesting use of Department property. City Departments sponsor events and obtain the fee waiver for non-City organizations, but comparable organizations and events that are not sponsored by a City Department pay fees in accordance with the Park Code. For example, the Department of the Environment sponsored an event and obtained a fee waiver in conjunction with California Tomorrow, a non-profit organization, to schedule an all-day event on June 2, 2005, in Civic Center Plaza, to display alternative fuel vehicles. The Department expected up to 5,000 participants for the event, which would have resulted in up to $2,400 for community or non-commercial event fees. Several commercial companies participated in the event and displayed vehicles, including Toyota, FedEx, NorCal, and the Pacific Gas and Electric Company.

In comparison, another non-profit, ScrapHouse, paid $500 in event fees to display scrap and salvage based architecture in Civic Center Plaza on June 6, 2005. Additionally, Ford Motor Company paid $5,000 in event fees to promote the new low-emission vehicle, Ford Fusion, in an event on Justin Herman Plaza on September 6, 2005.

Reduced Fees

In several instances, the Department reduced fees to community organizations, allowing the applicant to pay less than the Park Code requires, but did not document if the reduction complied with the Park Code or Recreation and Park Commission policy. For example:

- Youth Philanthropy Worldwide was charged a service fee of $300 rather than the minimum fee of $500 to hold a festival and concert in Civic Center Plaza on May 14, 2005. Youth Philanthropy Worldwide was also charged a concession fee of $100, but the Department has no documentation for the basis of such fee.

- Pakistan Association of SF Bay Area was charged a service fee of $400 for Pakistan's Independence Day, which included free cultural events and expected up to 5,000 participants. The Department should have charged a minimum of $500 and possibly up to $2,400 under the Park Code fee schedule.

- The SF Safari Disc Golf Tournament was charged $100, rather than the minimum fee of $250, to hold a tournament on the Frisbee Golf Course for a two-day tournament.

In addition, KNBR Radio was charged at non-commercial rates for a commercial event promoting SBC and the Giants home opener. KNBR Radio paid a $500 service fee rather than the commercial rate of at least $5,000, in violation of the Park Code.

Monitoring Fee Receipts and Deposits

Applicants must pay all reservation and permit charges prior to the issuance of the facility use permit. However, for large events, total facility use charges are based upon total attendance or receipts. These accounts need to be settled and paid up after the event.

The Department has no system to document and monitor fee payments or to collect past due payments. Most of the files in the review lacked documentation about whether some or all of the permit fees had been paid. There was no mechanism to check if payments had been received if the file lacked documentation. For example, the 2005 Bay to Breaker event sponsor paid a deposit of $30,000, which was recorded in the file, but owed $1 for every event participant exceeding 30,000. The file reviewed had no documentation on the total Bay to Breaker attendance, the amount of additional fees that were owed to the Department, or if additional fees were paid. Although the Permits and Reservations Unit deposits receipts regularly to the Accounting Unit in McLaren Lodge and records the deposits on the daily cash report, the Permits and Reservations Unit has no method to match permit and event files with the daily cash report or deposited receipts. The Permits and Reservations Unit was finally able to provide additional documentation on the Bay to Breaker fee payments. The Director of Administration and Finance and the Director of Partnerships and Property should jointly establish procedures for (a) maintaining reservation and permit files, (b) reconciling reservations and permits with daily deposits, (c) recording deposits, and (d) maintaining deposit records that cross reference reservation and permit files.

Collecting Unpaid and Past Due Accounts

The Recreation and Park Department has no procedure for recording and collecting on past due accounts. The Department approved and issued event permits for three consecutive years to Events West, a production company, for Reggae in the Park, although the Department received no payments for the 2001 Reggae in the Park and did not receive full payment for the 2002 and 2003 Reggae in the Park events. The Department approved and issued event permits to Events West for the 2003 A la Carte a la Park, although Events West had not paid in full for the 2002 A la Carte a la Park. Events West owes the Recreation and Park Department a minimum of $62,000 in outstanding event fees from 2001 to 2003.

The Recreation and Park Department should not issue any future permits to Events West until all past due amounts payable to the City are paid in full by Events West. The Budget Analyst further recommends that the Park Code be amended to prohibit permit issuance when the permit applicant owes the Department for prior events.

The Director of Administration and Finance and the Director of Partnerships and Property should develop joint procedures to record, report, and collect unpaid and past due accounts, including developing reports that identify accounts that are 30 or more days past due and procedures to transfer delinquent accounts to the Office of the Treasurer and Tax Collector for collection.

Marketing Recreation and Park Department Properties and Promoting Revenues

The Recreation and Park Department needs to promote its properties and enhance its revenues to offset reductions in General Fund support. The Department needs to review its fees, especially fees for private or commercial activities, marketing and rents for use of its facilities, and new fees or admission charges to enhance facilities. The Department has approximately 442 different fees, plus a policy that allows the Department to reduce or waive fees. Although the large number of fees is due in part to the many different activities for which the Department charges fees, the Recreation and Park Department should review and simplify its fee structure when possible. Also, the Department should assess its fees for private use of facilities, such as weddings and private parties, to price them competitively and increase revenues.

Film and Photography Fees

The Permits and Reservations Unit is responsible for film and photography permits for Recreation and Park Department properties. The Property Management Unit is responsible for managing larger film productions on Recreation and Park Department properties. The Recreation and Park Department's film, photography, and video fees were most recently updated in FY 2003-2004.

Many of the Department's film, photography and video permits are issued to television, commercial and other for-profit productions. Under the Recreation and Department's policies, the General Manager can increase fees for large productions requiring special accommodations, or reduce or waive fees for public, student, non-profit, government, or local independent filmmakers.

The Department should evaluate its fee structure for film and photography permits. As shown in Table 9.2, the Recreation and Park Department's fees, although not fully comparable to the Golden Gate National Recreation Area, are generally less. Also, the Recreation and Park Department should consider establishing fees in a manner similar to the Golden Gate National Recreation Area, which bases its fees upon the expected use of the recreation area's resources and impact on the recreation are and the public.

Table 9.2

Comparison of Golden Gate National Recreation Area and San Francisco Recreation and Park Department Film, Photography, and Video Fees

	Golden Gate National Recreation Area	Recreation and Park Department
Student Filming/ Photography	$65 per hour Involves 10 or fewer crew Less than one day Park staff time charged at $65 per hour	No charge
Editorial Filming/ Photography	$250 Does not require Park staff time, use of closed areas, parking plan Less than four hours Crew of 5 or less	$200 Documentary
Half Day Filming/ Photography	$400 Requires some Park staff time Does not require access to closed areas or parking plan Less than 5 hours Crew of 10 or less	No comparable category
One Day Filming/ Photography	$800 Requires 1 to 2 Park staff Requires access to closed areas, parking plan, traffic control, location scouting with Park staff 6 to 12 hours Crew of 11 to 45	$500 Requires some Park staff time Still photography with crew of 20 or more $500 TV commercials and programs with crews of 35 or less
Small Feature Filming	$3,500 Requires up to 4 Park staff Requires project review, night filming, 3 or more days of filming, limited public access or use, changes to public parking plan, traffic control, use of large vehicles, technical scouting with Park staff Crews of 25 to 49	$1,000 Larger TV, commercial and film productions Requires exclusive use of park areas, crowd control, and major props
Large Feature Filming	$7,500 Requires more than 4 Park staff Crews of more than 50	To be negotiated by General Manager

Marketing and Use of Recreation and Park Properties

The Recreation and Park Department does minimal marketing of its facilities. Several facilities are available for events, and are either underutilized, or used at no cost by the San Francisco Unified School District, youth groups, and various non-profit organizations that support the Department's programs.

Over the past two fiscal years, the Recreation and Park Department's revenues from property and facility short-term rentals has increased by approximately 9 percent per year.

Table 9.3

Average Annual Increase in Recreation and Park Department Revenues from Property and Facility Short Term Rentals

FY 2002-2003 through FY 2004-2005

	FY 2002-2003	FY 2003-2004	FY 2004-2005	Average Annual Growth Rate
Kezar Stadium	$26,000	$52,000	$56,200	47%
Kezar Pavilion	5,000	24,000	24,600	122%
County Fair Building	84,000	115,000	90,500	4%
Balboa Stadium	46,000	68,000	25,500	(26%)
Stern Grove Meadow	84,000	124,000	67,200	(11%)
Athletic Field Reservations	407,000	395,000	375,300	(4%)
Special Events	462,000	656,000	673,000	21%
Total	**$1,114,000**	**$1,434,000**	**$1,312,300**	9%

Source: Recreation and Park Department

The Recreation and Park Department does not have an overall plan to market its facilities. The Department has a minimal budget for marketing activities and no staff person with assigned responsibility. The Department's web site is the major source of information for Department properties and facilities. For the most part, individual staff members are responsible for arranging property rentals. Stern Grove Meadow, athletic fields, and special events are reserved through the Permits and Reservations Unit. Kezar and Boxer Stadiums and Kezar Pavilion are reserved through a Citywide Services staff person, located in Kezar Pavilion. The County Fair Building is reserved through a San Francisco Botanical Gardens staff person. Monster Park Stadium is marketed jointly by Monster Park Stadium and Property Management Unit staff.

The Recreation and Park Department should make the hiring of the new Director of Partnerships and Property a priority. One of the job tasks should be to assess the marketing potential and status of Recreation and Park Department properties and develop a marketing plan. Any budget requests for marketing should be accompanied with a cost analysis and business plan for marketing Recreation and Park Department properties.

The new Director of Partnerships and Property should look at several issues that impact the Department's ability to market its properties, including priority scheduling or free use given to the San Francisco Unified School District, the San Francisco Botanical Garden Society, and other organizations for various Recreation and Park Department properties. Without necessarily changing the intent of these agreements, the new Director of Partnerships and Property should look at more efficient scheduling practices, cancellation policies and other procedures that impact the availability of Recreation and Park Department properties and recommend policies for more efficient property use. The new Director of Partnerships and Property should also review informal arrangements, such as arrangements with San Francisco City College, to identify opportunities for more formal agreements, efficient scheduling practices, and sharing of resources.

Charging for Short Term Rental of Recreation and Park Department Properties

License Agreements to Provide Classes for Fees

Currently, the Recreation and Park Department has a license agreement with only one organization, Rhythm and Motion, to provide classes at the Department's recreation centers which charge a fee to participants. The Department's revenues from the Rhythm and Motion classes is approximately $11,000 per year. However, other community groups or individuals provide classes for a charge at various recreation centers without formal agreements with the Department. For example, Tuesday evening Hawaiian dance classes are provided at the Sunset Recreation Center, and several different classes are provided at the Harvey Milk Recreational Arts Center for a charge but with no formal agreement with the Department. The Director of Operations and the new Director of Partnerships and Property need to work jointly to identify all fee-generating classes, implement license agreements which include a charge for offering the classes at Recreation and Park Department facilities, and implement a procedure to receive and record receipts from the license agreements.

Pushcart Permits

The Permits and Reservations Unit issues temporary permits to pushcart vendors to operate on Recreation and Park Department properties. The Recreation and Park Department has no formal criteria for establishing temporary permit fees, which are not covered by the Park Code, but charges the pushcart vendors a percentage of gross receipts. Although the Permits and Reservations Unit issues the temporary permits, the Department's Property Management Unit monitors the permits. The Department does not have a clearly established system to monitor temporary permits, including monitoring gross receipts and permit payments. The General Manager should transfer responsibility for issuing temporary permits to pushcart vendors to the Department's Property Management Unit.

The Director of Administration and Finance and the Director of Partnerships and Property should jointly develop formal procedures for (a) maintaining temporary permit files, (b) recording and reporting temporary permit fee receipts, (c) reconciling temporary permit fee deposits for each vendor with actual receipts, and (d) maintaining deposit records that cross reference reservation and permit files.

Conclusions

The Recreation and Park Department lacks authorization or criteria for charging certain fees, such as the $35 facility use fee, or for reducing and waiving fees, resulting in seemingly arbitrary application, reduction, or waiver of fees to different Department customers. To ensure equal treatment of all Department customers, the Recreation and Park Commission needs to establish clear criteria in applying, reducing, or waiving fees and ensure that all fees charged by the Department comply with the Park Code. The Recreation and Park Department also needs to develop its systems to ensure that fee revenues are properly recorded and that past due accounts are collected.

The Recreation and Park Department simplify its fee structure and increasing fees whenever possible, such as film permit fees. The Department also needs a centralized marketing plan for all Recreation and Park Department properties to maximize use of its properties.

Recommendations

The Recreation and Park Department General Manager should:

9.1 Submit the $35 facility use fee to the Board of Supervisors for approval.

9.2 Develop a written policy, defining the type, purpose, and amount of each additional charge to an event sponsor, to ensure that such charges are consistent with Park Code Sections 12.22, 12.24, and 12.25.

9.3 Establish formal criteria for waiving fees for events conducted by Federal, State, or City agencies, including establishing fees for non-profit or commercial events sponsored by Federal, State, or City agencies and present the criteria to the Recreation and Park Commission for approval.

9.4 Submit all fee waivers not authorized by the Park Code to the Board of Supervisors for approval.

9.5 Assign responsibility and oversight of temporary permits for pushcart vendors and license agreements to the Director of Partnerships and Property.

9.6 Identify and implement license agreements for all revenue-generating classes conducted by outside individuals and organizations, and implement a procedure to receive and record receipts from the license agreements.

9.7 Direct the Director of Administration and Finance and the Director of Partnerships and Property to jointly develop formal procedures for (a) maintaining temporary permit files, (b) recording and reporting temporary permit fee receipts, (c) reconciling temporary permit fee deposits for each vendor with actual receipts, and (d) maintaining deposit records that cross reference reservation and permit files.

9.8 Direct the Director of Administration and Finance and the Director of Partnerships and Property to jointly establish procedures for (a) maintaining reservation and permit files, (b) reconciling reservations and permits with daily deposits, (c) recording deposits, and (d) maintaining deposit records that cross reference reservation and permit files.

9.9 Submit an ordinance to amend the Park Code to the Recreation and Park Commission and the Board of Supervisors to prohibit permit issuance when the permit applicant owes the Department for prior events.

9.10 Not issue any future permits to Events West until all past due amounts payable to the City are paid in full by Events West.

9.11 Direct the Director of Administration and Finance and the Director of Partnerships and Property to jointly develop procedures to record, report, and collect unpaid and past due accounts, including developing reports that identify accounts that are 30 or more days past due and procedures to transfer delinquent accounts to the Office of the Treasurer and Tax Collector for collection.

9.12 Review and simplify the Recreation and Park Department's fee structure, consolidating fees and reducing from the approximately 442 different fees now in use.

9.13 Assess the Recreation and Park Department's fees for private use of facilities, such as weddings and private parties, to price them competitively and increase revenues.

9.14 Evaluate the Recreation and Park Department's fee structure for film and photography permits, including simplifying the fee structure in a manner similar to the Golden Gate National Recreation Area's fee structure and increasing fees to the level charged by the Golden Gate National Recreation Area.

9.15 Direct the Director of Partnerships and Property to assess the marketing potential and status of Recreation and Park Department properties and develop a marketing plan, including developing a cost analysis and business plan for marketing Recreation and Park Department property to support any budget requests for marketing.

9.16 Direct the Director of Partnerships and Property to evaluate the priority scheduling or free use provided to the San Francisco Unified School District, the

San Francisco Botanical Garden Society, and other organizations for various Recreation and Park Department properties, including identifying more efficient scheduling practices, cancellation policies and other procedures that impact the availability of Recreation and Park Department properties, and recommend policies for more efficient property use.

9.17 Direct the Director of Partnerships and Property to evaluate informal arrangements, such as arrangements with San Francisco City College, to identify opportunities for more formal agreements, efficient scheduling practices, and sharing of resources.

9.18 Direct the Director of Operations and the Director of Partnerships and Property to work jointly to identify all fee-generating classes, implement license agreements which include a charge for offering the classes at Recreation and Park Department facilities, and implement a procedure to receive and record receipts from the license agreements.

Costs and Benefits

If the Recreation and Park Department increased permit and fee revenues by approximately 2 percent annually through rigorous application and collection of fees and charges, selected fee increases, and centralized marketing of Department properties, the Department would receive approximately $100,000 per year in additional operating revenues.

10. Cash Handling Practices

- **The Recreation and Park Department lacks comprehensive cash and revenue handling policies and procedures, resulting in Department staff developing a variety of informal and ad hoc procedures. This lack of controls means that significant amounts of cash are not routinely accounted for and recreation center staff are handling or carrying cash without procedures to safeguard or deposit the monies.**

- **Recreation center staff have no standard procedures for storing copies of receipts for cash payments from the Department's customers enrolling in center programs. Many recreation center staff said that they simply put the receipt book in a drawer and never look at it again. At one recreation center, the Upper Noe Valley Recreation Center, staff give two receipts for each payment, including an informal receipt to the nanny or caretaker as well as the formal receipt to the parent.**

- **Recreation center staff often keep the cash in their own wallets or take the money home with them prior to turning the cash into the Revenue Unit at McLaren Lodge. In other instances, the recreation center staff turn the cash into their supervisors, but supervisors stated that they did not know where recreation center staff kept the cash, and did not count the cash or reconcile the receipts with the daily record of cash receipts.**

- **The Department also has several informal petty cash funds. For example, the Oceanview Recreation Center staff collect money to pay for tee-shirts for adult basketball players, without recording the receipts and accounting for the cash to pay for these tee-shirts. The Upper Noe Valley Recreation Center maintains two sets of informal petty cash funds: one fund contains $50 from cash receipts to buy tennis supplies and the other fund contains $100 from cash receipts paid by parents to the Kids Gym program to pay a private guitar player to provide entertainment to the children for two hours per week.**

- **Swimming pool receipts are transported in locked boxes by armored transport from the swimming pools to the McLaren Lodge Revenue Unit. Because the bills are crumpled, the bills have to be straightened and flattened prior to running through the bill counter. Although the Department's policy is to have two staff members straighten and count the bills and coins, only one Department employee is assigned to straighten and flatten bills. The management audit observed one employee, alone in a cubicle with a large box of bills, with no other person in the cubicle and no oversight.**

The Recreation and Park Department lacks comprehensive cash and revenue handling policies and procedures, resulting in Department staff developing a variety of informal and ad hoc procedures. This lack of controls means that significant amounts of cash are not routinely accounted for and recreation center staff are handling or carrying cash without procedures to safeguard or deposit the monies.

The Recreation and Park Department developed a cash handling procedure in 1997 that covers staff, such as the Japanese Tea Garden ticket office vendors, who routinely handle cash. The Department does not have current policies or procedures for recreation center staff who handle cash receipts from the recreation center's programs. The Recreation and Park Department last issued a memorandum to recreation center staff in 1998 regarding cash handling procedures. Since that time, the Department has changed its programs or fee structures, such as standardizing fees for the Tiny Tot program, without revising or updating its procedures. Additionally, many recreation center staff are unaware of the memorandum or the Department's policies.

The Recreation and Park Department's Systems for Handling Cash and Other Receipts

The Recreation and Park Department is in the process of converting its revenue tracking system with the intention of reducing the amount of cash handling within the Department. Under the new system, fees for services will be paid by credit card or check, including fees for the Tiny Tot and Latchkey programs. Currently, many recreation center staff receive Tiny Tot and Latchkey program payments, either by check or cash. Under the proposed new revenue tracking system, recreation center staff would handle less cash.

Recreation Center Staff and Handling of Cash

According to the Recreation and Park Department's 1998 memorandum regarding cash handling procedures for field staff:

- All cash or other receipts are considered General Fund revenues and are to be submitted to the Revenue Unit in McLaren Lodge immediately. If recreation center staff accumulate small amounts of cash after the initial program registration period, the recreation center staff can keep up to $250 in cash receipts for up to one month before submitting to the Revenue Unit.

- Donations from parents or other members of the community are to be submitted to the Revenue Unit to be deposited into a gift fund.

According to the management audit's interviews and observations with recreation center staff, recreation center staff have not received current training or information on cash handling procedures. Many staff said that they try not to handle cash but instances still arise when they receive cash payments from parents or community members.

Receipt Books and Handling of Cash

The Revenue Unit staff issue receipt books to recreation center staff, although the Revenue Unit does not record to whom the receipt book is issued. When parents or other members of the community pay for classes or programs, the recreation center staff person should give a receipt from the receipt book to the parent or community member.

Recreation center staff are consistently filling out receipts but once the receipt is filled out and the cash received, the recreation center staff have no consistent practices for keeping the money or recording the receipts. The recreation center staff either turn the money into the Revenue Unit at McLaren Lodge or give the money to their supervisor to do so. Some recreation center staff fill out the daily record of cash receipts, which is to be turned into the Revenue Unit at McLaren Lodge, along with the copy of the receipt and the cash, checks or money orders, but not all recreation staff do so consistently. There is no standard practice for recreation center staff to reconcile the receipt book against the daily record of cash receipts. Many said that they simply put the receipt book in a drawer and never look at it again. At one recreation center, the Upper Noe Valley Recreation Center, staff give informal receipts to the nanny or caretaker in addition to the formal receipt to the parent.

In many instances, recreation center staff keep the cash in their own wallets or take the money home with them prior to turning the cash into the Revenue Unit at McLaren Lodge. In other instances, the recreation center staff turn the cash into their supervisors, but supervisors often stated that they did not know where recreation center staff kept the cash. Although supervisors stated that generally, when they receive cash from the recreation centers, they transport it to McLaren Lodge, many say that they do not count the cash or reconcile the receipts with the daily record of cash receipts.

Cash Receipts for Field Trips

Recreation center staff collect reimbursement for the cost of field trips from parents and community members. The Park Code provides for field trip reimbursement for the costs of transportation, food, admission charges and other expenses. Under this policy, the Department charges the full amount of the field trip costs up to $10 per person but only 50 percent of the costs greater than $10.

According to recreation center staff, field trip participants tend to pay on the day of the trip. Some recreation center staff take no cash for field trip reimbursements but other staff do take some cash. Recreation center staff routinely give field trip receipts, whether check or cash, to the supervisor. The supervisors say that they lock the money in their office or carry it home until they can turn it into a money order.

Informal Money Receipts and Petty Cash Funds

Prior to FY 2005-2006, the Recreation and Park Department had not established formal rates for the Tiny Tots program, resulting in different program charges at different recreation centers. Consequently, recreation center staff were collecting fees without authorization. At that time, the funds were not identified as Tiny Tot program receipts but were deposited into a General Fund account for youth programs.

The Park Code now includes standardized fees for the Tiny Tots program but recreation center staff still receive other revenues informally. In prior years, Department staff were allowed to keep cash from program fees to create a petty cash fund for each recreation center. Although this practice was formally ended by the Department, vestiges of petty cash funds remain. For example, the Oceanview Recreation Center staff collect money to pay for tee-shirts for adult basketball players, without recording the receipts and accounting for the cash. These monies are then used as a fund to pay for additional tee-shirts. Also, the Upper Noe Valley Recreation Center maintains two sets of informal petty cash funds. The Upper Noe Valley Recreation Center has approximately $50 retained from cash receipts for programs, which are used to pay for tennis supplies, and approximately $100 per week from cash receipts paid by parents to the Kids Gym program, which are paid to a private guitar player to provide entertainment to the children for two hours per week.

Donations from Parents, Community Members and Friends Groups

Under the 1998 cash handling policy, donations from parents or other members of the community are to be submitted to the Revenue Unit to be deposited into a gift fund. More recently, the San Francisco Parks Trust established a voluntary program in which friends groups or other community groups could set up an account to support various Recreation and Park Department programs. The Recreation and Park Department should write a formal policy, defining and reconciling policies and procedures for cash donations to the Department's gift fund and the San Francisco Parks Trust accounts.

Handling of Swimming Pool Cash

In FY 2004-2005 the Recreation and Park Department changed its system for receiving cash at the swimming pools. Due to the lay-off of the swimming pool cashiers, the Department set up locked boxes at each of the swimming pools for customers to deposit their fees. These locked boxes are transported regularly by armored transport to McLaren Lodge.

Once the locked boxes arrive at McLaren Lodge, the Revenue Unit staff transfer the cash from the locked boxes to bank deposit bags and placed in the safe. Because the bills are crumpled , the bills have to be straightened and flattened prior to running through the bill counter. Although the Department's policy is to have two staff members straighten and count the bills and coins, only one Department employee, who can be on transitional temporary work assignment rather than a regular Revenue Unit employee, is assigned to straighten and flatten bills. The management audit observed one employee, alone in a cubicle with a large box of bills, with no other person in the cubicle and no oversight.

Further, in the May of 2004 report on aquatics staffing, the Controller's Office recommended that the Department (a) develop policies and procedures to record cash sales accurately by pool, (b) require lifeguards to record daily pool usage for all types of patrons, and (c) develop procedures for Revenue Unit staff to reconcile weekly cash receipts from the pools against attendance. Although the Recreation and Park Department began more accurate recording of daily pool usage in FY 2004-2005, the Department has not developed policies and procedures to record cash sales accurately by pool and for Revenue Unit staff to reconcile weekly cash receipts from the pools against attendance.

Conclusions

The Recreation and Park Department lacks updated cash and revenue handling procedures that reflect the Department's current practices. Although the Department's intention is to reduce the amount of cash handled by recreation and other staff, many staff still handle cash. Recreation center staff expressed concern that without cash handling procedures, they are at vulnerable if cash counts are inaccurate or cash is lost. Throughout the Department, staff are developing ad hoc procedures to handle cash and revenues, with no standard or widely recognized practices on recording, keeping, or depositing cash or revenue receipts. The Department needs to revise and update its cash and revenue handling procedures, ensuring that staff are well acquainted with their responsibilities and requirements for handling cash, and that adequate controls are in place to protect against theft or loss.

Recommendations

The Recreation and Park Department General Manager should:

10.1 Direct the Director of Operations and the Director of Administration and Finance to revise the cash-handling policies and procedures to (a) identify all staff who are responsible for handling cash, (b) procedures for receiving, recording, keeping, transporting, and depositing cash and other revenues, and (c) training for all staff required to handle cash or revenues.

10.2 Direct the Director of Operations and the Director of Administration and Finance to identify and end all cash handling practices outside of the formal policies and procedures, including informal petty cash funds and payments to individuals to provide services.

10.3 Develop a formal policy, defining and reconciling policies and procedures for cash donations to the Department's gift fund and the San Francisco Parks Trust accounts.

10.4 Direct the Director of Administration and Finance to develop formal protocols requiring (a) at least two employees present at all cash counts, and (b) routine reconciling of cash counts with attendance records and other use tallies as appropriate.

10.5 Direct the Director of Operations and the Director of Administration and Finance to implement the May of 2004 Controller's Office aquatic program report findings and recommendations to develop (a) policies and procedures to record cash sales accurately by pool, and (b) procedures for Revenue Unit staff to reconcile weekly cash receipts from the pools against attendance.

Costs and Benefits

Although the Budget Analyst did not identify lost cash receipts due to the Department's inadequate cash handling practices, the Department's risk of loss is high. Implementation of the Budget Analyst's recommendations would tighten controls over cash handling and reduce the risk of loss through mishandling or theft.

11. Park Patrol

- **The Park Patrol unit is intended to provide Recreation and Park Department facility security, with primary responsibility for enforcing provisions of the Park Code. Because the Park Patrol unit has only five staff, including the supervisor, who are scheduled for 30 hours per week, the Park Patrol unit's main functions are issuing parking citations and locking facilities and setting alarms at night.**

- **The Recreation and Park Department Park Patrol unit does not have adequate management tools to define the Park Patrol unit's purpose, policies, and procedures. Except for informal and ad hoc procedures, the Park Patrol unit has no standardized procedures for carrying out its security and Park Code enforcement functions. This lack of standardization in not only inefficient, because routine functions are not performed in a consistent manner, but also puts the Department at risk if the Park Patrol unit does not have clearly defined procedures to respond to events such as emergency calls and alarms.**

- **One of the Park Patrol unit's major functions is the writing of parking citations for parking violations on Recreation and Park Department property. In FY 2004-2005, the Park Patrol collected approximately $158,000 in parking citation revenues, based on 2,604 parking citations, including 2,048 parking citations in Golden Gate Park and 556 parking citations in the Marina, with an estimated 80 percent collection rate. Because the Municipal Transportation Agency receives all parking citation revenues under the Charter, the Recreation and Park Department should meet with the Metropolitan Transportation Agency's Department of Parking and Traffic to discuss the transfer of all parking citation functions on Recreation and Park Department property from the Recreation and Park Department to the Metropolitan Transportation Agency's Department of Parking and Traffic.**

- **The Recreation and Park Department has security needs that cannot be fully addressed by the Department's Park Patrol unit within existing staff resources. The General Manager should develop an overall security plan that identifies the roles of the Department's respective staff members, including recreation directors, custodians, gardeners, and Park Patrol officers, in locking facilities, and reporting and following up on security incidents.**

The Recreation and Park Department's Park Patrol provides Department facility security, particularly with regard to locking facilities in the neighborhood parks and Golden Gate Park and setting their alarms. The Park Patrol is also responsible for enforcing Park Code provisions related to parking, signs, permits and reservations, road closures, the Department's dog policy, field closures, and the City's non-smoking policy.

The Recreation and Park Department has five Park Patrol officers, including one supervisor and four staff, in the Park Patrol Unit, reporting to the Director of Operations. The Department also has six Park Patrol positions, including the Head Park Patrol officer and five Park Patrol officers, at Monster Park Stadium, reporting to the Monster Park Stadium manager and funded by revenues from the lease agreement between the San Francisco Forty-Niners and the Department.

The Park Patrol is authorized 5.25 full time equivalent positions in the FY 2005-2006 budget. Because the Park Patrol unit schedules each staff person for 30 hours per week (or 0.75 full time equivalent position), these 5.25 full time equivalent positions equal seven part-time staff, including one part-time Head Park Patrol officer and six Park Patrol officers. Currently, the Part Patrol unit has five staff, including one part-time Head Park Patrol officer and four Park Patrol officers. The Park Patrol staff cover a work schedule of 20 hours per day, Monday through Friday, and 30 hours of coverage, due to overlapping shifts, on weekends and holidays.

The Park Patrol unit is responsible for (a) receiving and responding to emergency calls, (b) locking Department facilities and setting alarms, (c) enforcing Park Code parking, dog, permits and reservation, street closures, and other policies, (d) providing customer service, such as assisting park and recreation facility visitors, and (e) participating in emergency preparedness.

Table 11.1

Park Patrol

Appropriated Funding and Authorized Staffing FY 2005-2006

Appropriation	Amount	Classification	Title	Full Time Equivalent Position Count
Permanent Salaries	$268,809	8210	Head Park Patrol Officer	0.75
Retirement	24,409	8208	Park Patrol Officer	4.50
Social Security	20,565			
Health Service	39,145			
Dental Coverage	6,841			
Unemployment Insurance	672			
Other Fringe Benefits	914			
Overhead	105,082			
Services of Other Departments	40,000			
Total Appropriations	**$506,437**			**5.25**

Park Patrol Management Oversight

The Recreation and Park Department Park Patrol unit does not have adequate management tools to define the Park Patrol unit's purpose, policies, and procedures.

The Park Patrol Unit's Mission Statement

The Park Patrol's mission statement is too lengthy and imprecise to describe the organization's reason for existence or to serve as the basis for developing objectives, standards and performance measures. The Park Patrol is supposed to provide "security and safety for all visitors to San Francisco Recreation and Parks facilities", according to the Park Patrol's mission statement. The mission statement provides that the Park Patrol officers are law enforcement officers, who (a) are committed to provide a competent and effective public safety service to all persons, and (b) have primary duties to preserve the peace, protect life and property, and enforce the Park Code, including issuing verbal and written warnings, writing citations, making arrests, and investigating minor misdemeanors. According to the mission statement, the Park Patrol officers work in conjunction with the San Francisco Police Department to ensure maximum service for the park community.

The mission statement should describe the nature and scope of work to be performed and the organization's reason for existence.[1] The mission statement should also be simple, clear, and reflect three attributes, including opportunities, competence, and commitment.[2] The Park Patrol's mission statement needs to be simplified and revised to clearly reflect the contribution that the Park Patrol can make to the Recreation and Park Department's mission to "enlighten the senses... and meet the high expectations and needs of patrons". Further the Head Park Patrol Officer should seek suggestion from all members of the Park Patrol

Performance Measures, Standards, and Objectives

A primary task of a manager is to convert the organization's mission statement into operational specifics.[3] The Park Patrol unit has not developed performance measures, standards, and objectives to make operational the Park Patrol unit's mission statement and evaluate the efficiency and effectiveness of the unit's work performance. The Recreation and Park Department's annual efficiency plan, required by the Administrative Code, is supposed to include customer service, strategic planning, annual performance and performance evaluation elements. However, the Department's FY 2004-2005 efficiency plan does not include performance measures for the Park Patrol unit. Consequently, the Park Patrol unit does not have a method to evaluate the Park Patrol unit's overall performance and identify areas of improvement The Department cannot measure the need for Park Patrol staff or Park Patrol staff's productivity.

Performance Measures

The Park Patrol unit needs to establish performance measures, standards, and objectives. Performance measures, relating to the mission of the Park Patrol unit, include:

(a) The quality of public assistance.

---

[1] George L. Morrisey, *Management by Objectives and Results in the Public Sector,* Reading: Addison-Wesley Publishing Company, 1970, page 25.

[2] Peter F. Drucker, *Managing the Nonprofit Organization,* New York: HarperCollins Publishers, 1990, pages 3-8.

[3] Ibid., page 5.

(b) The extent of vandalism to Recreation and Park Department property.

(c) The completion of peace officer training.

(d) The effectiveness of responses to emergencies.

Performance measures are normally stable over an extended period of time.

Performance Standards

Performance standards are measures of excellence and should specify how many, how much, or how well the management expects the organization to perform in completing its performance measures. Using the performance measures cited above, performance standards should include:

(a) No negative ratings on public surveys or no reports of unsatisfactory assistance.

(b) Declining number of vandalism incidents.

(c) Percentage of Park Patrol officers with current Peace Officer Standards and Training (POST).

The Recreation and Park Department management should revise performance standards periodically as the performance expectations change.

Performance Objectives

Performance objectives are a benefit to be achieved. The Park Patrol unit should develop performance objectives that are measurable and verifiable,[4] including (a) stating a single key result to be accomplished as specifically and quantitatively as possible, (b) specifying a target date for accomplishment, and (c) specifying a maximum cost factor.

The objective statement should relate directly to the manager's mission and to higher-level missions and objectives. Further, the statement should be (a) attainable as well as presenting a challenge, and (b) understandable by those who will be contributing to its attainment. For example, two performance objectives developed from the Park Patrol's performance measures could be:

- To implement an approved alarm upgrade program by July 1, 2006, within the approved budget, and
- To have 75 percent of the Park Patrol officers who meet Peace Officer Standards and Training by December 31, 2006, at a cost not to exceed $20,000.

---

[4] George L. Morrisey, *Management by Objectives and Results in the Public Sector*

Policies and Procedures

The Recreation and Park Department has not established policies and procedures for the Park Patrol, resulting in a lack of formal guidelines and procedures in enforcing the Park Code, writing citations, and providing security. Policies and procedures serve multiple functions including (a) a self-regulating control standard for performing work, (b) an efficiency and effectiveness tool incorporating best practices or lessons learned, and (c) a training and indoctrination tool for newly assigned personnel.

Park Patrol policies and procedures consist of informal memoranda issued on an ad hoc basis and cover various operational topics such as gate closings, enforcement of dog regulations, and vehicle equipment. The Park Patrol unit lacks standardized procedures for carrying out Park Patrol operations, including (a) receiving and responding to emergency calls, (b) locking facilities and maintaining alarms, and (c) enforcing parking and other Park Code provisions, such as the non-smoking and on-leash dog policy and vending with a permit. This lack of standardization in not only inefficient, because routine functions are not performed in a consistent manner, but also puts the Department at risk if the Park Patrol do not have clearly defined procedures to respond to events such as responding to emergency calls and alarms.

Operational Planning: Action Plan 2004

Proposition C, which re-authorized the Park and Open Space Fund and was approved by the voters in March 2000, required the Recreation and Park Department to adopt several long-term plans, including the Strategic Plan, the Capital Plan, and the five-year Operational Plan. The Recreation and Park Department is to update the Operational Plan annually, and developed the *Operations Planning: Action Plans 2004* to comply with this requirement. One of the 2004 Action Plan strategies is to improve safety and security in the Department's parks and facilities through preventive and proactive measures, including (a) increasing the effectiveness of the Park Patrol staff, and (b) significantly enhancing the capability of performing the Park Patrol function with a volunteer Park Patrol and by employing existing Recreation and Park Department staff members to perform duties previously performed by the Park Patrol.

The Recreation and Park Department spelled out several strategic steps to evaluate or improve the Department's security and the Park Patrol functions in the 2004 Action Plan, including to:

- Improve communications internally and externally to facilitate the timely exchange of pertinent information;
- Upgrade and improve facility security systems at all sites to minimize response requests for false positive alarms,
- Increase staff levels through the establishment of a volunteer Park Patrol Reserve program;
- Create several staffed informational kiosks to provide information and monitor public activities;

- Develop a docent program to provide cultural, historical and natural history programs for park visitors in conjunction with the Department's Office of Volunteer Services;

- Improve interdepartmental communication related to identifying the allocation of Park Patrol resources, and improve interdepartmental partnerships with other City Agencies.

The 2004 Action Plan includes 27 specific steps that the Recreation and Park Department intends to take to achieve these strategic steps, of which the Department has only accomplished two, including establishing a volunteer Park Patrol Reserve Program, which was suspended in June of 2005. Otherwise, the Recreation and Park Department has made little progress in implementing the 2004 Action Plan.

The 2004 Action Plan included hiring an independent consultant and working with the Police Department to analyze Park Patrol policies and procedures and the existing command headquarters and their appropriateness related to location and function. The Department has not moved forward on analyzing the Park Patrol policies and procedures or evaluating the appropriateness of the command headquarters. Although the Budget Analyst does not consider it necessary to hire an outside consultant to analyze the Park Patrol policies and procedures, the Department does need to move forward in developing the policies and procedures. Also, the current Park Patrol command headquarters consists of a small, cramped, dirty and entirely unsuitable room located in the Structural Maintenance Division's yard.

The Recreation and Park Department's Security Needs

The Recreation and Park Department does not have security plan, addressing the overall security requirements of the Department. The four Park Patrol officers cannot meet all the Department's security needs. Recreation directors, gardeners, and custodians expressed concern about security or safety during interviews. For example, one recreation director reported an incident at Garfield Park in which a neighbor pulled a gun on a contract worker. In multiple interviews, Recreation and Park Department staff reported concerns about contact with homeless encampments or encounters with disorderly or aggressive individuals. Custodians reported that restrooms were not always locked at night, allowing individuals to enter and litter the restrooms. In focus groups conducted by the Budget Analyst, staff reported that they did not receive adequate information about safety or security incident's and the Department's follow up to these incidents.

According to the Director of Operations, the Department has an ongoing relationship with the San Francisco Police Department, including bimonthly meetings and discussions to facilitate park patrols. The Director of Operations should develop an overall security plan that identifies the roles of the Department's respective staff members, including recreation directors, custodians, gardeners, and Park Patrol officers, in locking facilities, and reporting and following up on security incidents. In Section 2 of this report, the Budget Analyst has recommended transferring 30 custodians to the evening shift. As part of this transfer, the Director of Operations should identify which facilities will have custodian crews present during the evening hours and who will be responsible for locking and checking facilities.

Citing Parking and Other Park Code Violations

One of the Park Patrol unit's major functions is the writing of parking citations for parking violations on Recreation and Park Department property. Parking citation revenues equal only an estimated 33.8 percent of the Park Patrol's annual budget. The Park Patrol unit's FY 2004-2005 budget was $467,306 and estimated parking citation revenues were approximately $158,000, based on 2,604 parking citations, including 2,048 parking citations in Golden Gate Park and 556 parking citations in the Marina, with an estimated 80 percent collection rate. Parking citation revenues accrue to the Metropolitan Transportation Authority.

The Park Patrol unit writes very few citations for Park Code violations other than parking. Based on information provided by the Head Park Patrol Officer, the Park Patrol issued 13 Park Code citations for violations other than parking in FY 2004-2005. The citations were issued for vending without a permit, theft of utilities, camping without a permit and other such offenses. In response to our inquiry concerning the reason for the low number of non-parking citations, the Head Park Patrol Officer stated that Park Patrol Officers are reluctant to confront Park Code violators when working alone, without communications, without backup, and without the proper equipment to effect an arrest or citation. The Head Park Patrol Officer further stated that most of the 13 non-parking citations where issued when two Park Patrol Officers were on duty.

Because the Municipal Transportation Agency receives all parking citation revenues under the Charter, the Recreation and Park Department should meet with the Metropolitan Transportation Agency's Department of Parking and Traffic to discuss the transfer of all parking citation functions on Recreation and Park Department property from the Recreation and Park Department to the Metropolitan Transportation Agency's Department of Parking and Traffic.

Monster Park Stadium Surveillance Equipment

The Recreation and Park Department has five Park Patrol officers assigned to Monster Park Stadium, who report to the Stadium manager. These positions are funded by revenues from the lease agreement between the San Francisco Forty-Niners and the City.

Monster Park Stadium has a camera surveillance system that is obsolete. The existing analog recorders of Monster Park's closed circuit surveillance system each record the activities captured by four cameras, on a time-sharing basis. Thus, imagery from an area under surveillance is much less complete than that recorded by state-of-the art digital recording systems with simultaneous recording that permit 100 percent coverage of each area under surveillance. Further, a National Football League *best security practice* specifies digital systems.

The Budget Analyst has been advised that Homeland Security grant funding may be available to procure a digital recording system. The Budget Analyst recommends that the General Manager, Recreation and Park Department, investigate the advisability of procuring the subject equipment and if warranted, seek such funding.

Conclusions

The Recreation and Park Department lacks an overall security plan or management tools to provide oversight over the Park Patrol function. Because the Park Patrol unit is staffed with only one part-time supervisor and three part-time officers, the Park Patrol unit can not perform all the functions, including (a) receiving and responding to emergency calls, (b) locking Department facilities and setting alarms, (c) enforcing Park Code parking, dog, permits and reservation, street closures, and other policies, (d) providing customer service, such as assisting park and recreation facility visitors, and (e) participating in emergency preparedness. Park Patrol officers issue few Park Code violation citations other than parking citations. Because the Municipal Transportation Agency receives all parking citation revenues under the Charter, the Recreation and Park Department should meet with the Metropolitan Transportation Agency's Department of Parking and Traffic to discuss the transfer of all parking citation functions on Recreation and Park Department property from the Recreation and Park Department to the Metropolitan Transportation Agency's Department of Parking and Traffic.

The General Manager should also develop an overall security plan that identifies the roles of the Department's respective staff members, including recreation directors, custodians, gardeners, and Park Patrol officers, in locking facilities, and reporting and following up on security incidents. Concurrent with the security plan development, the General Manager should ensure that the Park Patrol unit has adequate management tools and oversight, including performance measures, standards and objectives, and especially, policies and procedures to ensure that the Park Patrol is performing efficiently and carries out its security functions according to standardized procedures.

Recommendations

The Recreation and Park General Manager should:

11.1 Evaluate the service level provided by the current Park Patrol staffing level and make adjustments if deemed suitable and practicable, in the light of the Recreation and Park Department's overall mission, and within existing funding appropriations.

11.2 Provide the Park Patrol with the assistance that it needs to develop acceptable administrative practices, including developing a Policies and Procedures Manual and data collection and reporting methods.

11.3 Direct staff to update the performance measures, supporting strategies, and action steps contained in the Operational Planning document concerning the Park Patrol and ensure that the action steps are accomplished.

11.4 Direct staff to locate an appropriate "command headquarters" for the Park Patrol.

11.5 Direct staff to develop a recommendation on whether to obtain a digital recording system for Monster Park, preferably with grant funding.

11.6 Meet with the Metropolitan Transportation Agency's Department of Parking and Traffic to discuss the transfer of all parking citation functions on Recreation and Park Department property from the Recreation and Park Department to the Metropolitan Transportation Agency's Department of Parking and Traffic.

11.7 Develop an overall security plan that identifies the roles of the Department's respective staff members, including recreation directors, custodians, gardeners, and Park Patrol officers, in locking facilities, and reporting and following up on security incidents.

Costs and Benefits

The Budget Analyst's recommendations can be accomplished within the Recreation and Park Department's existing appropriated funding and authorized staffing levels and would enhance the efficiency and effectiveness of the Park Patrol, and thus enhance the experiences of the patrons of the Recreation and Park Department's parks, facilities, and programs and improve the level of safety within Monster Park.

12. Maintenance Management

- **The Recreation and Park Department's Structural Maintenance Division lacks the basic management tools, such as performance measures and standards and work rules, to direct the Division's activities. Consequently, the various trade shops within the Division apply disparate work rules and standards, resulting in inconsistent standards of performance.**

- **The Structural Maintenance Division uses planning only for capital projects, and performs very little preventive maintenance. For FY 2005-2006, 170 of 3,593 completed work orders, or only 4.7 percent, are classified as preventive maintenance. Much of the Division's maintenance work is performed in reacting to emergencies and other corrective work requests.**

- **Because of the lack of planning for maintenance projects, the Structural Maintenance Division staff can travel up to 30 minutes to reach a work site and arrive without the necessary tools, resulting in lost productivity. The Department faces high opportunity costs in lost productivity due to poor planning. Implementation of the Total Managed Asset system in FY 2005-2006 and improved maintenance planning should result in increased Structural Maintenance Division productivity. The Budget Analyst estimates that a 1 percent increase in Structural Maintenance Division productivity would equal approximately 0.9 full time equivalent positions or approximately $87,500 annually in salaries.**

- **To increase planning and supervision within the Structural Maintenance Division, the Budget Analyst has recommended that the Recreation and Park Department (a) fill the Maintenance Manager position that was authorized in the FY 2005-2006 budget, and (b) fund two Maintenance Planner and one Supervisor position, with total FY 2005-2006 salary and fringe benefit costs of $316,199, by deleting four trades positions, which have been vacant for at least one year, with total FY 2005-2006 salary and fringe benefit cost of $311,243, resulting in total increased costs of $4,876.**

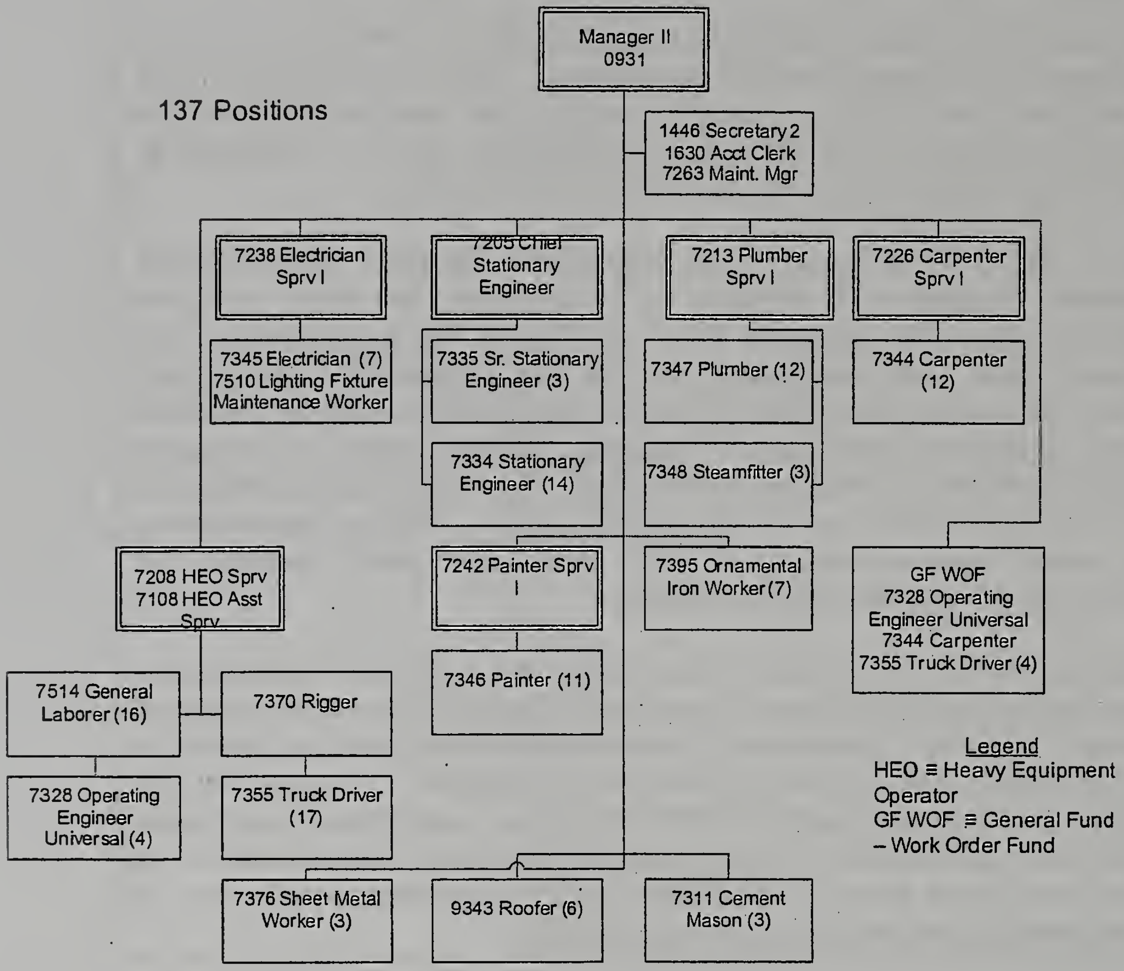
The Structural Maintenance Division maintains the buildings, facilities, and infrastructure at more than 250 parks, recreation center, swimming pools, museums, marinas, and landmarks under the jurisdiction of the Recreation and Park Department. Although the Structural Maintenance Division provides craft assistance for the maintenance of the Monster Park Stadium, the Citywide Services Division, under the direction of the Monster Park Stadium Manager, is responsible for that facility.

In FY 2005-2006, the Structural Maintenance Division is authorized 137 full-time equivalent positions, including four administrative staff positions, as shown in Exhibit 12.1 below. However, the FY 2005-2006 budget funds only 108.23 positions, does not fund 12.27 positions, and has assigned estimated project funding to 16.5 positions. The Division will be able to fill the

16.5 estimated project-funded positions to the extent that such funding from grants and other sources becomes available.

Exhibit 12.1

Structural Maintenance Division Organizational Chart


Manager II
0931
137 Positions
1446 Secretary 2
1630 Acct Clerk
7263 Maint. Mgr
7238 Electrician Sprv I
7205 Chief Stationary Engineer
7213 Plumber Sprv I
7226 Carpenter Sprv I
7345 Electrician (7)
7510 Lighting Fixture Maintenance Worker
7335 Sr. Stationary Engineer (3)
7347 Plumber (12)
7344 Carpenter (12)
7334 Stationary Engineer (14)
7348 Steamfitter (3)
7208 HEO Sprv
7108 HEO Asst Sprv
7242 Painter Sprv I
7395 Ornamental Iron Worker (7)
GF WOF
7328 Operating Engineer Universal
7344 Carpenter
7355 Truck Driver (4)
7514 General Laborer (16)
7370 Rigger
7346 Painter (11)
7328 Operating Engineer Universal (4)
7355 Truck Driver (17)
Legend
HEO ≡ Heavy Equipment Operator
GF WOF ≡ General Fund – Work Order Fund
7376 Sheet Metal Worker (3)
9343 Roofer (6)
7311 Cement Mason (3)

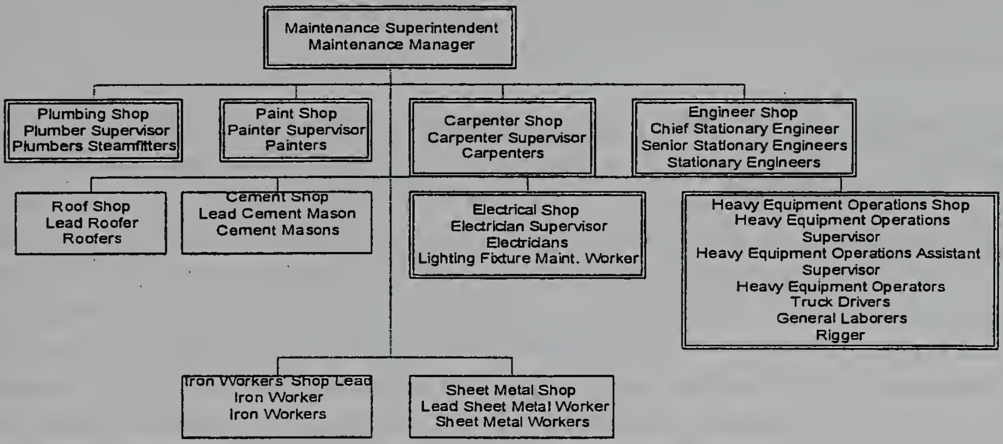
The Structural Maintenance Divisions FY 2005-2006 appropriation is $11,506,680, including:

- $7,950,380, or 66.3 percent, allocated to salaries and fringe benefits.
- $3,165,925, or 26.4 percent, allocated to overhead.
- $868,866, or 7.25 percent, allocated to materials and supplies, equipment purchases, and other expenses.

Exhibit 12.2, below, shows how the Structural Maintenance Division is organized to perform its work. The trades and work classifications are organized into ten craft shops, each led by a supervisor or a lead worker who reports directly to the Maintenance Superintendent. The shop supervisor (foreman) or lead worker receives work orders, plans and schedules work orders, and supervises the work (in some instances supervisors assist in performing the work, while the lead workers all assist in performing work). As shown in Exhibit 12.2, the Maintenance Superintendent has a very wide span of control. The Maintenance Manager position shown in the organizational box with the Maintenance Superintendent is a new position approved in the FY 2005-2006 budget, and has not been filled as of the writing of this report.

Exhibit 12.2

Structural Maintenance Division Maintenance Work Reporting Relationships


Maintenance Superintendent
Maintenance Manager
Plumbing Shop
Plumber Supervisor
Plumbers Steamfitters
Paint Shop
Painter Supervisor
Painters
Carpenter Shop
Carpenter Supervisor
Carpenters
Engineer Shop
Chief Stationary Engineer
Senior Stationary Engineers
Stationary Engineers
Roof Shop
Lead Roofer
Roofers
Cement Shop
Lead Cement Mason
Cement Masons
Electrical Shop
Electrician Supervisor
Electricians
Lighting Fixture Maint. Worker
Heavy Equipment Operations Shop
Heavy Equipment Operations Supervisor
Heavy Equipment Operations Assistant Supervisor
Heavy Equipment Operators
Truck Drivers
General Laborers
Rigger
Iron Workers' Shop Lead
Iron Worker
Iron Workers
Sheet Metal Shop
Lead Sheet Metal Worker
Sheet Metal Workers

Although the six shops, not including the Maintenance Superintendent, with the heavy border have a supervisor, the four other shops (the roof, cement mason, ironworkers, and sheet metal shops) do not have a supervisor authorized to them. In lieu of a supervisor, those four shops use a permanent lead worker who is paid $10 per day for assuming the extra responsibility.

Mission, Performance Measures, Standards, and Objectives

The Structural Maintenance Division has not developed the necessary management tools for effective oversight of the Division's performance, such as mission statements; performance measures, standards, and objectives; and work rules. Consequently, the Recreation and Park Department cannot effectively measure the Structural Maintenance Division's performance and productivity, nor ensure that facilities maintenance is performed cost-effectively.

Mission Statement

The mission of the Structural Maintenance Division is as follows:

> To provide superior, professional maintenance services in a way that enables Recreation and Park facilities to enlighten the senses, foster a sense of community pride and well-being, and meet the high expectations and needs of patrons.

> Quality maintenance offers significant opportunities that contribute to the diversity of cultural, natural, and recreational resources made available to the users of our parks and facilities.

The Structural Maintenance Division's mission statement describes in general terms the positive experiences that the Recreation and Park Commission desires for patrons of recreation and park facilities, but does not state specifically the nature and scope of the work to be performed or the organization's reason for existence. The mission statement should be simplified and revised to reflect clearly the contribution that Structural Maintenance Division can make to the Recreation and Park Department's mission.

Performance Measures, Standards, and Objectives

A primary task of a manager is to convert the organization's mission statement into operational specifics by developing performance measures, standards, and objectives.

Performance Measures

The Structural Maintenance Division's single performance measure is specified in the Recreation and Park Department's SFStat report. The Structural Maintenance Unit measures the "number of open structural maintenance work orders at the end of the fiscal year", which includes (a) the Total Managed Assets System's maintenance management work orders data that are generated monthly, and (b) the number of work orders received, completed and pending. The use of this single performance measure is inadequate due to the fact that at least one performance measure should be developed for each of the Structural Maintenance Division's key results areas. Further, the information contained in the SFStat performance measure is of limited value because although the number and percentage of work orders received, completed, and opened as of a certain date are reported for emergency, health and safety, and routine work orders, the hours required to complete those work orders, which are much more significant than the number of work orders, is not reported by the Structural Maintenance Division.[1]

The Structural Maintenance Division needs to develop performance measures which will be stable over an extended period such as:

- Preventive maintenance compliance (the percentage of preventive maintenance work orders completed on schedule).

- Recordable incidence and lost workday rates.

Performance Standards

A performance standard is a measure of excellence and specifies how many, how much, or how well the management expects the organization to perform in completing its performance measures. Using the performance measures cited above, the related performance standards could be:

---

[1] As discussed later in this report section, the Structural Maintenance Division is currently unable to collect and report on the number of hours associated with work order categories.

- To achieve preventive maintenance compliance of 90 percent.
- To achieve recordable incidence and a lost workday rates of 5.5 and 75.0, respectively.

Managers revise performance standards periodically as the performance expectations change.

Performance Objectives

The Structural Maintenance Division needs to develop performance objectives that define the benefits to be achieved and are measurable and verifiable, including (a) stating a single key result to be accomplished as specifically and quantitatively as possible, (b) specifying a target date for accomplishment, and (c) specifying a maximum cost factor. The objective statement should (a) relate directly to the manager's mission and to higher-level missions and objectives, (b) be attainable, while representing a significant challenge, and (c) be understandable by those who will be contributing to its attainment. Using these guidelines, two objectives might be developed from the performance measures listed above, as follows:

- To achieve preventive maintenance compliance of 90 percent by June 30, 2006, using existing authorized resources.
- To achieve recordable incidence and lost workday rates of 8.5 and 150.0, respectively, by June 30, 2006, within the allotted time for safety training and meetings.

The Maintenance Superintendent initially advised the Budget Analyst that he did not have written objectives for FY 2005-2006. However, during the course of the management audit, the Maintenance Superintendent developed the following written objectives for FY 2005-2006.

- To keep all recreation and park facilities operational for safe public use.
- To complete $2.08 million deferred maintenance projects.
- To initiate development of the Structural Maintenance Division's preventative maintenance program.
- To complete implementation of the Total Managed Assets System.
- To implement Confined Space Safety Program and perform confined space work as required.
- To fill vacancies in construction manager, truck drivers, rigger, laborers, roofers, cement mason, and stationary engineers' positions.

In the professional opinion of the Budget Analyst, the Maintenance Superintendent has made a good start on developing sound objectives for the Structural Maintenance Division that should be revised to specify target or completion dates, and maximum cost factors, where applicable.

Work Rules

The Structural Maintenance Division has not developed specific work rules that set the Division's expectations for behavior in performing maintenance work, between employees, and between employees and the public, but rather relies on rules established by the Civil Service Commission and the Recreation and Park Department's Human Resources Division. A maintenance organization the size of the Structural Maintenance Division should have its own work rules to prescribe work standards and acceptable behaviors, which should cover (a) expectation of behavior and communication among employees and between employees and the public, and (b) work schedules, such as regular work hours and overtime, breaks, vacation, and sick leave.

Lack of a Maintenance Management Policies and Procedures Manual

The Structural Maintenance Division lacks formal, written policies and procedures to standardize its routine functions, such as setting maintenance priorities, controlling tools and equipment, recording maintenance time, providing an overview of the Total Managed Assets System, and providing means of increasing "wrench time."[2] Policies and procedures serve multiple functions, including (a) a self-regulating control standard for performing work, (b) an efficiency and effectiveness tool incorporating best practices or lessons learned, and (c) a training tool for newly assigned personnel. Operations of the Structural Maintenance Division include unique characteristics and require coordinating the activities of ten maintenance shops and 14 crafts. The institutional knowledge that has been gained over the many years of maintenance operations should be consolidated in a maintenance management policies and procedures manual.

The maintenance management policies and procedures manual should be a dynamic document, continually incorporating updated information. The Structural Maintenance Division can develop the maintenance management policies and procedures manual in-house on a part-time basis.

The Structural Maintenance Division can use appropriate sections of other departments' maintenance management policies and procedures manuals as starting points in the development of their own. However approached, a good maintenance management policies and procedures manual is a guidance, control, and training tool that Structural Maintenance Division needs to develop on a priority basis.

Work Order Planning and Scheduling

Effective July 1, 2005, the Structural Maintenance Division migrated from a paper-based, maintenance work-order system to a computer-based system named Total Managed Assets. The Total Managed Assets System is a combined Facility Asset Management System, used to record and manage the Recreation and Park Department's physical assets, and a Computerized

---

[2] "Wrench time," which is defined as the amount or percentage of time that a craftsperson is actually using his or her tools, is a vitally important maintenance factor. Wrench time is a measure of the craftsperson's productivity, and is impacted by a variety of factors, such as the amount of time spent waiting for parts, traveling to and from the job site for tools or materials, or waiting for equipment to be made available for maintenance.

Maintenance Management System, used to manage maintenance operations. According to the Department's Management Information Systems Manager, the Department procured the Total Managed Assets software package in May of 2003 at a cost of approximately $80,000. Annual maintenance of the software system is approximately $19,000. The functionality of Total Managed Assets includes initiating work requests, approving work requests, and designating the priority of the work order.

Planning and scheduling work orders assigns the proper amount of work to the crews and enables control for managing productivity. Work order planning entails specifying the job scope, craft and skill level, a time estimate, as well as specifying anticipated parts and tools needed for the job. Maintenance planners should be highly skilled and conscientious journeymen, and such maintenance planners should report to the Maintenance Superintendent, and not to a maintenance manager who is directly responsible for overseeing the maintenance work that trade journeymen perform. Maintenance planners' output is a set of work orders that cumulatively require the hours available for journeymen to perform maintenance work. Normally, maintenance planners perform a week's worth of planning for each selected trade. Trade supervisors (foremen) first develop a weekly schedule based on work orders planned by the maintenance planners, and then develop daily schedules to incorporate the inevitable changes that occur.

The Structural Maintenance Division:

- Has no assigned maintenance planners.
- Plans work orders only for capital projects. Supervisors, not maintenance planners, currently perform this planning outside of the Total Managed Assets System because the system's configuration does not have planning functionality.
- Distributes actual material usage only to capital.
- Tracks workloads or backlogs in number of work orders rather than estimated work hours, which is a more meaningful statistic.
- Does not set or track productivity measures such as wrench time.

Wrench time is a critical determinant of maintenance productivity and, therefore, of a maintenance organization's effectiveness. Maintenance industry literature cites productivity rates, as measured by wrench time, of approximately 25-35 percent as typical for maintenance organizations performing maintenance operations similar to those of the Structural Maintenance Division. Significant productivity improvement can be expected through implementation of a computerized maintenance management software system including adequate planning and scheduling processes. For example, given the travel times to some of the facilities requiring maintenance, one-way travel times of up to thirty minutes are required to reach the work sites. Under such conditions, failure to bring a critical tool or replacement part can drastically affect a day's productivity. Maintenance planning and scheduling can greatly reduce such occurrences.

In order to reduce the percentage of non-productive time in its maintenance activities and improve its overall maintenance performance, the Structural Maintenance Division should thoroughly integrate planning and scheduling into its maintenance operations. The Budget Analyst estimates that a 1 percent increase in Structural Maintenance Division productivity would equal approximately 0.9 full time equivalent position or approximately $87,500 in salaries.

Lack of a Preventive Maintenance Program

The Recreation and Park Department does not have an effective preventive maintenance program. Preventive maintenance is maintenance performed on equipment or facilities at specified time or operating intervals, such as monthly or every 1,000 hours of operation. The purpose of preventive maintenance is to maintain equipment and facilities in continuous operating condition by performing maintenance tasks that prevent breakdowns and failures. In comparison, corrective maintenance as the name implies, is maintenance performed to correct a problem, including problems found during preventive maintenance.

The percentage of time devoted to preventive maintenance work-orders in the Structural Maintenance Division is limited primarily to essential preventive maintenance work performed by stationary engineers on pumps and valves. In addition, the Structural Maintenance Division classifies some of the work orders serviced by the paint and roof shops as preventive maintenance. For FY 2005-2006, only 170 of 3,593 completed work orders are classified as preventive maintenance, and 158 of those work orders were performed by the paint shop.

Although the Recreation and Park Department has included development of a preventive maintenance program as one of the Structural Maintenance Division's six objectives in FY 2005-2006, thereby demonstrating awareness of the need for preventive maintenance, the fact that a preventive maintenance program needs to be initiated at this stage of the Structural Maintenance Division's life cycle points to the reactive nature of the organization's method of operation. Currently, preventive maintenance is not a category of maintenance work for the Structural Maintenance Division.

A proper balance of preventive maintenance and corrective maintenance is the desired state for maintenance organizations. The Structural Maintenance Division lacks a preventive maintenance program because the Maintenance Superintendent allocates all of his resources to corrective maintenance, either emergency or routine. Without changes to (a) the rudimentary state of maintenance planning and scheduling, (b) higher management's exclusive emphasis on high visibility requirements, and (c) the existing high percentage of vacancies in the Structural Maintenance Division, allocation of most resources to corrective maintenance will continue. By allocating sufficient resources to maintenance, by emphasizing the importance of preventive maintenance, and by requiring proven, effective management practices, the Recreation and Park Department can significantly improve its maintenance program.

Compiling, Analyzing and Reporting Maintenance Data

The Structural Maintenance Division lacks data and analytical reports, documenting the maintenance work performed. Maintenance organizations should be able to collect, analyze, and report on comparisons of work planned to work accomplished at the crew level, and use that information for planning and controlling future maintenance operations.

The Structural Maintenance Division needs to maintain efficiency and effectiveness statistics and produce reports on the results of maintenance activities over a specific period of time in order to measure the effectiveness and efficiency of maintenance work. The Structural Maintenance Division has not previously developed manual methods to prepare work data for analysis. The implementation of the Total Managed Assets System allows the Division to develop an automated method to prepare and analyze work data. Table 12.1 lists some of the standard measurements and states their functions.

Table 12.1

Maintenance Performance Measures for Management Control of Maintenance Work

Name	Report Purpose
Scheduling Compliance Report	A comparison of work accomplished that had been planned to work accomplished that had not been planned. The higher the percentage of planned work accomplished the better, since unplanned work is generally disruptive and more costly.
Preventive Maintenance Compliance Report	A comparison of actual preventive maintenance work to planned preventive maintenance work. Preventive maintenance results in better equipment reliability, reduced emergency repairs, and longer equipment life.
Backlog Report	A report that provides the backlog of planned work, normally in weeks, by trade and by the Department as a whole. This report should be reviewed periodically and the work re-prioritized. The Backlog Report is also an important tool in managing the workload, staffing, and budgeting.
Personnel Report	A comparison of the hours recorded in the maintenance management system with those recorded in the payroll system, if they are separate systems. Paid hours should be identical in the systems.
Productivity Report	A comparison of the planned or estimated time or cost of a job compared to the actual time or cost in labor and materials to complete the work. A standard can be applied to common repairs and maintenance projects. Estimates should be reviewed for repetitive maintenance work to better reflect the actual time required to accomplish the work.

To be useful, the performance measures shown should be calculated for the Structural Maintenance Division as a whole to provide a measure for Division-wide actual performance compared to the planned performance and for time-series analysis of productivity, but should also be calculated for each of the trades in order to determine where problem areas are. Thus, for each of the performance measures shown above, there would be calculations for each of the crafts. However, the Structural Maintenance Division has very limited data. For example, the Structural Maintenance Division previously tracked only the total work orders received, completed and pending but did not track the total maintenance time devoted to major maintenance categories. The implementation of the Total Managed Asset System allows the Division to collect data on the number of hours charged to maintenance projects in each work category.

Lack of Tool and Equipment Inventories

The Structural Maintenance Division does not maintain an inventory of its tools and equipment, nor, according to Division staff members, has the Division in recent years conducted an inventory of tools and equipment. In response to a Budget Analyst request for a copy of the Division's most recent inventory of tools and equipment, the Maintenance Superintendent presented a listing of tools purchased for the various shops since FY 2002-2003, without any indication of whether the tools still exist or the status of tools and equipment purchased prior to FY 2002-2003.

The Structural Maintenance Division does not have a tool room or a storeroom, as discussed in this section of the report concerned with material management. Tools, equipment, and material are all stored either within the trade shops, in shed bays that form part of the perimeter of the Maintenance Yard, or in the central, open area of the Maintenance Yard, wherein all manner of material, operational equipment, non-operational equipment, trash bins, and various other articles are stored.

The Maintenance Superintendent has stated that all shop supervisors and lead mechanics are responsible for controlling their shop's tools and equipment. However, that assignment of responsibility does not eliminate the need for an annual inventory of tools and equipment. Further, management has the responsibility of fostering a control environment that minimizes misappropriations of City property and temptations to do so. Minimizing asset losses through physical controls and inventories are methods of fulfilling that responsibility.

Management has not directed inventories of tools and equipment because it considers its maintenance workload overwhelming, with no time to devote to such an activity such as conducting an inventory. By not conducting annual inventories of tools and equipment, the Structural Maintenance Division is neglecting the responsibility of protecting and accounting for its assets and losses could easily go undetected by management.

The Structural Maintenance Division should inventory all tools and equipment of a specified value, formally track any dispositions made during the year, and re-inventory tools and equipment on an annual basis.

Structural Maintenance Division Staffing

The Structural Maintenance Division does not currently have the staffing configuration that it needs to perform its functions effectively. Table 12.2 shows the Structural Maintenance

Division craft position authorized in the FY 2005-2006 Annual Salary Ordinance compared to the actual positions.

Table 12.2

Structural Maintenance Division Authorized and Actual Craft Positions FY 2005-2006

Class	Title	FY 05-06 Annual Salary Ordinance	FY 05-06 Actual Positions
7344	Carpenter	13	12
7347	Plumber	12	11
7346	Painter	11	9
7345	Electrician	7	6
7514	General Laborer	16	9
7355	Truck Driver	21	15
7335	Senior Stationary Engineer	3	2
7334	Stationary Engineer	14	9
7328	Operating Engineer	5	5
7395	Ornamental Iron Worker	7	6
7311	Cement Mason	3	2
7376	Sheet Metal Worker	3	3
9343	Roofer	6	4
7348	Steamfitter	3	2
	Totals	**124**	**95**

Based on our observations, staff interviews, and visits to work sites of completed and ongoing projects, the Budget Analyst recommends that the priority for filling existing positions and for creating substitute positions for filling should be as follows:

- Fill the Classification 7263 Maintenance Manager position, newly authorized in the FY 2005-2006 to assist the Maintenance Superintendent in the management of the Division.

- Create two Classification 7262 Maintenance Planner positions, at an annual salary of approximately $81,040 each, and delete two vacant Classification 7346 Painter positions, at an annual salary of $60,265 each, and fill them as soon as possible. The two Classification 7262 Maintenance Planner positions would report to the Maintenance Manager.

- Create one Supervisor II position to oversee the sheet metal, cement mason, ornamental iron worker, and roofer shops and possibly the Classification 7328 Operating Engineer positions. This Supervisor II position could be classified as part of an existing craft classification series (for example, a Carpenter Supervisor II, or a Plumber Supervisor II) at an annual salary of approximately $90,815. The Recreation and Park Department should delete a vacant Carpenter position and a vacant Roofer position at annual salaries of approximately $66,424 and $62,040, respectively.

- Fill the vacant Classification 7311 Cement Mason position using project funds that may become available.

- Fill as many vacant Classification 7514 General Laborer and Classification 7355 Truck Driver positions as possible using project funds that may become available.

The Budget Analyst's recommendation would result in new salary costs, totaling $252,895, for the two proposed 7262 Maintenance Planner positions and the one proposed Supervisor II position, which would be offset by salary savings, totaling $248,994, to delete two vacant 7346 Painter positions, one vacant 7344 Carpenter position, and one vacant 9343 Roofer position, resulting in net costs of $3,901.

The Structural Maintenance Division is authorized three Classification 7311 Cement Mason positions. One position has been vacant since FY 2002-2003. Filling the Classification 7311 Cement Mason position is vital to providing effective support to the trades that the cement masons heavily support, particularly the plumbers and the carpenters, and to ensuring that the Recreation and Park Department's sidewalks and retaining walls are maintained. The Budget Analyst observed sidewalks and/or retaining walls at the following locations that are in deplorable condition.

- Alamo Square, Scott and Hayes Streets: Numerous uneven sidewalks.

- Kimball Playground, Pierce and Ellis Streets: Deteriorated and uneven sidewalk across from 1329 Ellis Street.

- Argonne Playground, 18th Avenue between Gerry Boulevard and Anza Street: Uneven and deteriorated sidewalks.

- Garfield Square, Treat Avenue and 25th Street: Uneven and deteriorated sidewalks.[3]

The Recreation and Park Department has been cited by the Department of Public Works for maintaining unsafe sidewalks.

In the professional opinion of the Budget Analyst, the Structural Maintenance Division, by obtaining the personnel resources noted above in a timely manner, would be able to accomplish its mission, including accomplishing the recommendations contained in this section of the audit report.

Conclusions

The Structural Maintenance Division's mission of maintaining the Department's facilities is vital to the Department's mission of providing enriching recreational activities, maintaining beautiful parks, and preserving the environment.

---

[3] Garfield Square, with the exception of the new children's play area, is by far the worst looking playfield and area that the auditor observed.

The Structural Maintenance Division has performed its mission in a reactive manner with little or no attention to efficiency of operations, safeguarding assets, reporting on work accomplished and backlogs, or compliance with good health and safety and environmental practices. The Division's planning and scheduling of work orders, control of supplies and materials, control of tools and equipment, and use of maintenance management policies and procedures manuals for efficiently executing operations are rudimentary or non-existent.

Filling the positions indicated in the final part of this audit section is a necessary, but not sufficient, condition for correcting the severe deficiencies found in this audit. The overall objective should be to transition from a maintenance organization that reacts to emergency, health and welfare, and corrective work orders to a maintenance organization that plans and schedules its work effectively, performs a significant amount of preventive maintenance, accounts for and safeguards its assets, and employs effective management tools.

Recommendations

The Structural Maintenance Division Manager should:

12.1 Revise the existing Structural Maintenance Division mission statement to reflect clearly the contribution that the Division can make to the Recreation and Park Department mission.

12.2 Develop performance measures, standards, and objectives that will serve to provide direction, accountability, and control for the Structural Maintenance Division's operations.

12.3 Develop a set of work rules, including rules for allocating overtime, that specify behavioral expectations concerning the performance of maintenance work and expectations concerning behavior between employees and between employees and the public.

12.4 Establish a timeline for the development of a Maintenance Management Policies and Procedures Manual and report on the status of the manual's development to the Director of Operations prior to May 31, 2006.

12.5 Establish two Classification 7262 Maintenance Planner positions by substituting them for vacant trade positions to perform planning for selected trades. Ensure that the supervisors for the selected trades receive sufficient work to enable them to schedule fully their journeymen on a weekly schedule. Assign the Maintenance Manager, when the position is filled, with overseeing maintenance planning as a primary responsibility. Ensure that the maintenance planners work primarily on planning duties.

12.6 Implement an effective preventive maintenance program.

12.7 Ensure that the Structural Maintenance Division initiates maintenance reporting on a continuing, periodic basis. The *Management by Objectives Report* produced by the Public Utilities Commission's Water Pollution Control Division is a useful model.

12.8 Conduct an inventory of tools and equipment and update the inventory annually.

12.9 Use Total Managed Assets System reports when requesting maintenance resources.

12.10 Fill the vacant Classification 7263 Maintenance Manager position as soon as possible.

12.11 Implement a program to eliminate unsafe sidewalks on Recreation and Park Department property.

The Director of Operations should:

12.12 Assist the Structural Maintenance Division in obtaining the personnel resources cited in the Structural Maintenance Division Staffing part of this report section.

12.13 Ensure that the Maintenance Superintendent obtains the assistance needed to accomplish the recommendations cited above and ensure that the recommendations are accomplished.

Costs and Benefits

The Budget Analyst estimates that a 1 percent increase in Structural Maintenance Division productivity would equal approximately 0.9 full time equivalent positions or approximately $87,500 annually in salaries if the Structural Maintenance Division implements the Budget Analyst's recommendations to improve management and planning of its maintenance activities, resulting in improved productivity.

The Budget Analyst's recommendation would result in new salary costs, totaling $252,895, for the two proposed 7262 Maintenance Planner positions and the one proposed Supervisor II position, which would be offset by salary savings, totaling $248,994, to delete two vacant 7346 Painter positions, one vacant 7344 Carpenter position, and one vacant 9343 Roofer position, resulting in net costs of $3,901.

The planning and control recommendations, which include a new mission statement, performance measures, objectives, a Maintenance Management Policies and Procedures Manual, a set of work rules, and maintenance reporting, can be implemented with existing resources and the position exchanges that we recommend herein. These recommendations can enable the Director of Operations and the Maintenance Superintendent to measure the performance of the Structural Maintenance Division and to plan accordingly.

By conducting an inventory of tools and equipment and updating that inventory annually, the Structural Maintenance Division would establish a basis for accounting for any unusual asset losses, more effectively plan for procuring new tools and equipment, and efficiently share tools and equipment, where suitable.

13. Materials Management

- **The Recreation and Park Department's inventory controls are inadequate. The Department lacks materials management policies and procedures, and thus lacks standardization and accountability in purchasing, storing, and recording use of the Department's materials and supplies.**

- **The Recreation and Park Department's Structural Maintenance Division has no inventory of maintenance materials and supplies, despite an annual materials and supplies budget of $899,900. The sheet metal and carpenter shops keep informal records of materials on hand, but none of the trade shops keep a running total of inventory balances. Structural Maintenance Division staff charge capital projects for materials and supplies but do not charge maintenance work orders. Consequently, the Recreation and Park Department has no means to audit materials and supplies usage and cannot calculate the value of its existing inventory. Also, the Recreation and Park Department has not conducted a physical count of the Department's general inventory in at least five years.**

- **Under current practice, Structural Maintenance Division staff purchase low-price items on departmental purchase orders, which requires processing a separate purchase order for each item, rather than blanket purchase orders that allow several low-price items to be purchased from a vendor on a single purchase order. For example, the Structural Maintenance Division used a departmental purchase order to purchase an electrical ground rod and clamp from an electrical supply company for the purchase price of $13.65, including tax, which was less than the Department's cost to process the departmental purchase order of $15.000, effectively doubling the cost of the purchased item. The Recreation and Park Department should train Department staff on the proper use of blanket purchase orders and restrict use of blanket purchase orders to the appropriate supervisor or manager level to ensure control over purchases.**

Inadequate Storage of Materials and Supplies at the Structural Maintenance Division

The Structural Maintenance Division does not have a storeroom in which to store materials and supplies that the Division procures for use in maintenance work. The Structural Maintenance Division orders materials and supplies from vendors, receives the materials and supplies at the Structural Maintenance Division's yard, and stores the materials and supplies either in the shop that placed the order, a shed bay assigned to that shop, or in the open, central storage area of the Structural Maintenance Division's yard. During FY 2004-2005, the Structural Maintenance Division's actual expenditures for materials and supplies, including expenditures for capital projects, were $899,900.

The Structural Maintenance Division does not maintain an inventory of the many thousands of dollars in material and supplies stored in the trade shops, in shed bays, or in the open, central yard. A few shops, such as the sheet metal and the carpenter shops, maintain informal records of materials on hand. However, none of the shops keep a running total of inventory balances as a properly operated storeroom would.

With the exception of work orders for reimbursable work and capital projects, the Structural Maintenance Division does not record material usage on its work orders. This practice negates the possibility of auditing material usage by tracking material procured on purchase orders to its use on work orders.

Some of the materials maintained by the shops are old, while some are obsolete. For example, the Electrical Shop maintains light fixtures, disconnects, circuit breaker panels, and incandescent lights that are obsolete.

Due to the foregoing conditions, neither the Maintenance Superintendent nor anyone else within the Recreation and Park Department knows the value of the materials and supplies maintained by the Structural Maintenance Division. Further, no one knows the value of the materials used on specific work orders, other than work orders for capital projects and reimbursable jobs, or the annual value of material and supplies losses, if any.

The Recreation and Park Department Storeroom and Control of Materials and Supplies

The Recreation and Park Department maintains a storeroom that is co-located with the Structural Maintenance Division's yard in Golden Gate Park. This Department storeroom primarily stores athletic, gardening, and housekeeping equipment, and tools that are issued to the Department's gardeners, mowers, custodians, and recreation centers and swimming pools, entities external to the Structural Maintenance Division. The inventory of supplies and materials maintained by the Department storeroom are under a formal inventory system. The Department storeroom does not store the lumber, sheet metal, paint, plumbing and electrical devices and fixtures, or other material used by the Structural Maintenance Division in performing maintenance work. The Department storeroom only issues housekeeping items and such disposable items as gloves and alkaline batteries to the Structural Maintenance Division. Of $899,900 expended by the Structural Maintenance Division for materials and supplies in FY 2004-2005, only $7,918, or approximately 0.88 percent, were drawn from the Department's storeroom inventory.

The value of storeroom issuances for FY 2005-2006 was $281,206. The value of the storeroom inventory as of June 30, 2005, was $255,775. Thus, inventory turnover for FY 2004-2005 was 1.1, based on the ending inventory value of $255,775.[1]

The lack of an inventory of supplies and materials maintained by the Structural Maintenance Division is a situation that the Recreation and Park Department should not allow to continue.

---

[1] The average value of storeroom value, calculated by adding the year beginning value to the year ending value and dividing by two, is the normal method of calculating inventory turnover. The beginning value was not available in this case.

The Structural Maintenance Division must provide reasonable assurance that its materials and supplies are safeguarded, without unduly inhibiting the efficiency and effectiveness of maintenance work.

The "Bone Yard"

The Recreation and Park Department nursery, which grows and supplies plants for use in the Golden Gate Park and throughout the City's parks, is located in a large area adjacent to the Structural Maintenance Division. In the southwest corner of the nursery, in an area of approximately one acre, is located an auxiliary storage area or "bone yard." Therein, the Structural Maintenance Division has stored all manner of material in various stages of disrepair or obsolescence. The bone yard contents include miscellaneous pipes and flanges, paraphernalia from a pagoda, backflow devices, old lamp poles, sewer pipe, electrical conduit, fencing, manhole covers, electrical vaults, statues of dogs, irrigation boxes, a building canopy, and many other items including a dump trailer that appears to be serviceable. Some of the items such as contractor leftover parts have never been used. The Structural Maintenance Division does not maintain an inventory of the items in the bone yard.

The management of the Recreation and Park Department should not permit the operation of this auxiliary storage area or "bone yard" to continue. In accordance with proper administrative practice and proper safeguarding of City property, "bone yard" items should be brought under inventory control or disposed of.

Uneconomical Procurement Practices: Cost of Processing the Purchase Order Exceeds the Value of the Item Procured

The City has various means of procuring goods and services. For relatively high cost items (currently, items above $10,000), a purchaser in the Office of Contract Compliance will make the procurement by obtaining a minimum of three bids, or if the estimated cost of the item exceeds $50,000, by formal Invitation for Bids.

Alternatively, the City Purchaser has the authority to delegate signature authority to departments up to the dollar amount stated in regulation 21.5 (a) of the *Rules and Regulations Pertaining to the San Francisco Administrative Code, Chapter 21*. The delegated limit is currently $10,000.

A simpler method for procuring low-dollar-value items is to create a departmental purchase order using progress payments or on a blanket purchase order. These methods allow multiple procurements of relatively low-value items from a vendor using the same purchase order number, and is an efficient means of procuring, for example, plumbing hardware without having to create a departmental work order for each item.

The auditors have noted that the Structural Maintenance Division sometimes uses the departmental purchase order method for very low-cost items. As an example, the Structural Maintenance Division procured an electrical ground rod and a ground clamp from an electrical supply company for the cost of $13.65, including tax, on a departmental purchase order. The approximate cost of completing a departmental purchase order for Structural Maintenance

Division personnel only, and not including the cost of higher management signature approval nor processing by the Division of Purchasing and Contract Administration, is $15.

The Budget Analyst has been advised that the Department's Purchasing and Contract Administration Manager sometimes requires the Structural Maintenance Division to use departmental purchase orders for low-cost items for purposes of control. However, such control appears to be overly restrictive. A training session on the proper use of blanket purchase orders and restricting uses to certain individuals may provide the necessary level of control. The Budget Analyst recommends that the Purchasing and Contract Administration Manager consider these alternatives.

Lack of a Materials Management Policies and Procedures Manual

The Recreation and Park Department does not have a Materials Management Policies and Procedures Manual to standardize its processes for obtaining goods and services. Good practice requires that the Recreation and Park Department develop a Materials Management Policies and Procedures Manual to simplify and supplement the various Administrative Code and Office of Contract Compliance provisions that regulate the procurement of goods and services in City government. As an administrative control, a Materials Management Policies and Procedures Manual provides standardization and accountability. Policies and procedures manuals are an important part of internal control systems by creating standardization and accountability in recurring situations without constant intervention by management. The absence of a Materials Management Policies and Procedures Manual stems from a lack of appreciation by management of the power of policies and procedures as administrative controls. The Purchasing and Contract Administration Manager has stated that one of his objectives for FY 2005-2006 is to develop a Materials Management Policies and Procedures Manual. The Budget Analyst strongly recommends that the Purchasing and Contract Administration Manager accomplish that objective.

Examples of topics covered in materials management policies and procedures manuals that apply to storerooms are shown below in Table 13.1.

Table 13.1

Materials Management Policies and Procedures Manuals: Example Contents

- Policy and Functions of Materials Management
- New Stock Requests
- Warehouse Issues and Credits
- Warehouse Scheduled Deliveries
- Back Orders and Stock Reservations
- Inventory Stratification
- Active Inventory
- Blanket Purchase Order
- Purchase Requisitions
- Authorization to Withdraw Materials from the Warehouse
- Receiving
- Bin Locations
- Low Value Items (Free Stock)
- Repaired Components (Stock)
- Cost of Ordering and Cost of Carrying
- Inactive Inventory
- Cycle Inventory
- Management Reporting

Source: Public Utilities Commission's Water Pollution Control Division's *Maintenance Management Policies and Procedures Manual*

Failure to Perform Physical Inventories of the Storeroom

A basic principle of storeroom control is to conduct an annual physical inventory. The City storerooms that we have audited recently all commence their physical inventory activities at the end of the fiscal year by taking a before-count inventory, performing the physical count, adjusting the computer records to reflect the physical count, and running an after-count inventory to note differences, reconcile differences, if possible, and to record "shrinkage," if any. Taking an annual physical inventory is probably the most basic of inventory control principles.

As previously stated, the Recreation and Park Department operates a storeroom that is located in the Structural Maintenance Division's yard. According to the Classification 1936 Senior Storekeeper who has operated the storeroom for the last 19 years, the Recreation and Park Department has not conducted an annual physical inventory in at least the last five years. According to the Senior Storekeeper, management eliminated the physical inventory in order to avoid the cost of performing the inventory.

Compounding the significance of not performing an annual inventory is the fact that the Senior Storekeeper has worked alone in the storeroom for almost all his 19-year tenure. Another basic principle of administrative control, separation-of-duties, requires that no single individual should control a process from start to finish. Separation of duties provides a complementary check by another individual. Although management may legitimately accept the risk of not implementing a particular control due to considerations of cost or efficiency, wherever possible a compensating control should be substituted. By not performing annual inventories, Department management has exacerbated the risk of departure from the separation-of-duties principle rather than compensating for the departure.

Conclusions

We reviewed the operations of the Recreation and Park Department' material management operations and practices to determine whether those operations and practices are being administered in an economical, efficient, and effective manner. We found that the Structural Maintenance Division does not have a storeroom in which to store its materials and supplies, an inventory of its materials and supplies, a record material usage system (with the exception of work orders for reimbursable work and capital projects), or a materials management policies and procedures manual.

For purposes of control, the Structural Maintenance Division is sometimes required to use departmental purchase orders to procure low-dollar-value items that could be procured much more economically and efficiently on a blanket purchase order. This practice appears to be overly restrictive and inefficient.

Recommendations

The Structural Maintenance Division Manager should:

13.1 Establish a storeroom and otherwise develop and maintain an inventory of all high-dollar value material items and items that tend to experience losses.

13.2 Establish stock level and reorder points for high use items, to avoid stockouts of needed material and to avoid use of departmental work orders for single or few items.

13.3 Ensure that the material in the Structural Maintenance Division's yard is brought into inventory or reported for disposal.

13.4 Ensure that the material in the Bone Yard is brought into inventory or reported for disposal.

The Purchasing and Contract Administration Manager should:

13.5 Assist the Structural Maintenance Division in developing adequate controls for materials, supplies, tools, and equipment.

13.6 Assist the Structural Maintenance Division in establishing a storeroom or otherwise providing adequate safeguarding of materials and supplies.

13.7 Assist the Structural Maintenance Division in disposing of Bone Yard material not required.

13.8 Work with the Structural Maintenance Division to establish procurement procedures that are economical and efficient.

13.9 Develop a Materials Management Policies and Procedures Manual for the Recreation and Park Department.

13.10 Perform a physical inventory of the Recreation and Park Department storeroom as soon as practicable and at least annually thereafter.

Costs and Benefits

Implementing the above recommendations, which would institute fundamental management practices, can be accomplished within the Department's authorized resources. The benefits of implementing the recommendations would include: (a) adequate control over material and supply assets; (b) efficiencies in knowing what material and supplies are available; and (c) efficiencies in combining the procurement needs of the various shops and purchasing in economic quantities.

14. Health, Safety, and Environmental Issues in the Structural Maintenance Division

- **The Recreation and Park Department has not ensured a safe and healthy work environment in the Structural Maintenance Division. A November 8, 2005 inspection by Public Utilities Commission Health and Safety and Environmental Regulation staff found several deficiencies, including poor housekeeping in the maintenance and craft shops, blocked access to electrical panels, improper storage of hazardous materials, no documentation of emergency eye wash and shower station inspections, and other deficiencies. The Structural Maintenance Division Manager should review the November 8, 2005 inspection report and address and correct the deficiencies noted in the report.**

- **The Structural Maintenance Division has a high rate of workplace injury and illness as does the Recreation and Park Department as a whole. The Structural Maintenance Division's lost work days due to work place injury or illness over the past five fiscal years has ranged from 197 days in FY 2000-20001 to 346 days in FY 2004-2005. The Structural Maintenance Division's work place injury incidence reported to the U.S. Occupational Health and Safety Administration is 34.74 incidents per 100 employees annually, compared to an industry rate for repair and maintenance organizations of 5.8 incidents per 100 employees annually. The Structural Maintenance Division Manager should work with the Recreation and Park Department's Environment, Health and Safety Manager to implement a plan to significantly reduce the incidence of injury in the Structural Maintenance Division.**

Health, Safety, and Environmental Compliance

Health, Safety, and Environmental Inspection

At the request of the Budget Analyst, staff of the Public Utilities Commission's Health and Safety and Environmental Regulation Offices conducted a health, safety, and environmental inspection of the Structural Maintenance Division's yard on November 8, 2005. The inspection included a walk-through of the following areas: Ironworks Shop; Electrical Shop; Truck Bays; Cement Shop; Roofing Shop; Storeroom; Tire Shop; Auto Shop; Heavy Equipment Operations; Sheet Metal Shop; Plumbing Shop; Stationary Engineers Shop; Carpenter Shop; Paint Shop; and the Hazardous Waste Storage Area. In addition, the Environmental Inspector observed the Structural Maintenance Division's outdoor, auxiliary storeroom, or "bone yard," located in the Department nursery adjacent to the Structural Maintenance Division.

We have provided summaries of the inspection, below. We have also provided complete inspection reports, including detailed "Observations" and "Required Actions," to the Recreation and Park Department.

Health and Safety Issues:

The inspector made the following general observations that apply to many Structural Maintenance Division shops:

- Housekeeping was poor in most of the shops, with extensive amounts of new and old materials, supplies, and equipment, stored in a haphazard manner. However, as an exception, the Carpenter Shop was particularly clean and orderly.
- Access to electrical control panels was blocked in numerous locations throughout the yard.
- Fire extinguishers were missing in numerous locations (where there were mounting brackets and/ or signs on the wall), or were sitting on the floor.
- Emergency eyewash/showers had no documentation indicating that they had been inspected and tested for the last six months.

These common safety problems should normally be identified by routine workplace inspections by the line management.

Environmental Issues:

The inspector made the following general observations that exhibit the highest potential sources of storm water pollution:

- Housekeeping is very poor outside the Auto Shop and in the common materials and equipment storage areas. This includes poor management of soiled absorbent, accumulation of silt and sand around catch basins, and extensive amounts of new and old materials, supplies, and equipment stored haphazardly and exposed to the elements.
- Hazardous materials are inappropriately managed, including improper storage of used oil barrels, unlabeled chemical containers, lack of signage, and hazardous wastes stored outdoors. Use of secondary containment with hazardous material storage was inadequate.
- Trash receptacles throughout the yard were not covered.
- Vehicle washing requires a designated wash rack with a separation chamber to mitigate the amount of sediments, oils, organics, and metals associated with equipment usage.
- The vehicular fueling area has a catch basin located on the fueling pad, with the pavement graded to direct runoff into the catch basin. There is no protection from fuel entering the sewer system in the event of a spill. The preferred solution to mitigate this potential would be to seal the drain. However, because of the high traffic and drainage features of this area, plugging the drain may not be a viable solution. The second alternative would be to develop a contingency plan in the event of a spill that incorporates an emergency shut-off of the sump pumps that serve the drains throughout the facility.

Additional Concerns:

The health and safety inspection summary states, "housekeeping was poor in several shops." However, the condition of the Structural Maintenance Division's yard on the day of the evaluation was much improved from the condition noted during a tour of the Structural Maintenance Division's yard made by the auditor and the Maintenance Superintendent on October 28, 2005. The Structural Maintenance Division performed a major cleanup of the Structural Maintenance division's yard between November 4, 2005, when the health, safety, and environmental evaluation was announced, and November 8, 2005, the date of the evaluation. The Structural Maintenance Division has corrected many of the deficiencies and shortcomings noted during the informal tour of October 28, 2005. However, the Maintenance Superintendent should correct the following items on a priority basis:

- Turn in the numerous pieces of unserviceable equipment – vehicles, mowers, and generators - that the Structural Maintenance Division does not cannibalize for parts. For equipment that the Structural Maintenance Division is cannibalizing, comply with Office of Contract Administration procedures covering that process.

- Comply with disposition procedures on the unserviceable and junk vehicles in the Structural Maintenance Division's yard parking lot, including the Structural Maintenance Division's 1999 Ford Ranger which was involved in an accident on March 9, 2005.

- Many, but not all, of the shops made a big housecleaning effort. Require all of the shops to clean up their areas and keep them that way. Perhaps not all of the shops can achieve the superior condition of the Carpenter Shop, but there is much room for improvement. According to the Health and Safety Inspector, cleanliness abets safety.

Extremely High Injury Experience

The recordable incidence rate and the recordable severity rate are measures of injury experience calculated such that interested parties can make meaningful trend analyses or cross-comparisons of injury experience within a given industry, trade, or project type. A recordable injury is an injury that requires other than first aid. The formula for calculating the recordable incidence rate yields the number of recordable incidents per 100 employees working 40 hours per week for 50 weeks per year. The formula for calculating the recordable severity rate yields the number of lost workdays per 100 employees working 40 hours per week for 50 weeks per year.

Table 14.1 below displays the recordable incidence rate and recordable severity rate for the Structural Maintenance Division for the fiscal years indicated. Table 14.1 shows that there were 34.74 recordable incidents per 100 employees in FY 2004-2005, the highest recordable incidence rate within the past five years. Another way of viewing the statistic is that approximately 35 percent of the Structural Maintenance Division's employees had a recordable injury in FY 2004-2005.[1]

---

[1] Stated as a percentage of employees, the figure is an approximation because a given employee can have more than one recordable injury during the year evaluated.

Table 14.1 also shows that there were 429.26 lost workdays per 100 employees in FY 2004-2005, the second highest recordable severity rate within the last five years.

Table 14.1

Structural Maintenance Division
Recordable Incidence and Lost Workdays Rates

Fiscal Year	Number of OSHA Recordable Injuries	Recordable Incidence Rate	Number of Lost Workdays	Recordable Severity Rate
FY 2004-2005	28	34.74	346	429.26
FY 2003-2004	20	23.83	678	807.99
FY 2002-2003	26	26.70	197	202.33
FY 2001-2002	30	29.98	399	398.74
FY 2000-2001	22	23.00	197	205.98
FY 2000-2001 thru FY 2004-FY 2004-2005 Total	**126**		**1,817**	**2044.3**
FY 2000-2001 thru FY 2004-FY 2004-2005 Average		**27.65**		**408.86**

According to Cal-OSHA staff and other health and safety specialists whom we queried, a recordable incidence rate of 34.7 is extremely high for any type of organization. The Cal-OSHA web site includes tables showing recordable incidence rates for 2003, the most recent year that data has been collected and arrayed, for both governmental and private organizations of all types. The recordable incidence rate for all industries including State and local government is 5.9, and the recordable incidence rate for private industry is 5.4. For repair and maintenance organizations, the recordable incidence rate is 5.8, which is approximately 83.3 percent less than the Structural Maintenance Division's recordable incidence rate of 34.7.

The injury history of the Structural Maintenance Division for the past two fiscal years, as indicated in the recordable incidence rate and the recordable severity rate, has been particularly high, at averages of 29.3 and 618.6 respectively. Further, according to information provided by the Department's Office of Environment, Health and Safety, there are currently 23 open worker's compensation claims attributable to members and former members of the Structural Maintenance Division. If the Structural Maintenance Division can reduce its two-year average recordable severity rate from 618.6 to the Public Utility Commission's Hetch Hetchy Water and Power Division's two-year average recordable severity rate of 148.4, lost work due to injuries of approximately 2.7 full time equivalent positions can be prevented in addition to the obvious health and welfare benefits to the employees. Therefore, the Budget Analyst recommends that the Recreation and Park Department investigate the causes of the apparent high injury rates among members of the Structural Maintenance Division and develop an action plan to reduce significantly the incidence of injury in the Division.

The Need for an Environmentally Compliant Vehicle Wash Rack

The health, safety, and environmental inspection identified that " Vehicle washing requires a designated wash rack with a separation chamber to mitigate the amount of sediments, oils, organics, and metals associated with equipment usage." The Structural Maintenance Division's current vehicle wash area is adjacent to the storeroom in the Structural Maintenance Division's yard in a shed bay. The area is not distinguishable as a vehicle wash area because normally there are pieces of heavy equipment, such as backhoes and front loaders, parked in the area. Further, until the recent cleanup, the area was contaminated with filth and debris from the operations of the heavy equipment parked therein. During the health, safety, and environmental inspection of November 8, 2005, the inspectors could not gain access to the only drain near the vehicle wash area because it was clogged and submerged in a small pool of water.

The Structural Maintenance Division is in need of a proper vehicle wash rack, not only for environmental concerns, but also in order to properly wash the vehicles. The Structural Maintenance Division's general-purpose vehicles have access, at a cost, to the privately owned Tower Car Wash located at Mission Street and Van Ness Avenue. However, there is no adequate wash area for non-general-purpose vehicles and equipment. The City Shops Automotive Supervisor has provided the Budget Analyst with information on what appears to be an adequate vehicle wash system, and the Budget Analyst has provided that information to the Maintenance Superintendent, Structural Maintenance Division.

Conclusions

We reviewed the health, safety, and environmental condition of the Structural Maintenance Division to determine whether the Division is in compliance with applicable regulations and whether the Division's injury experience is reasonable. We found the following conditions:

- A health, safety, and environmental inspection conducted on November 8, 2005, revealed deficiencies in health, safety, and environmental compliance. General observations from the health and safety inspection are: (1) housekeeping was very poor in most of the shops, with extensive amounts of new and old materials, supplies, and equipment stored in a haphazard manner; (2) hazardous materials are inappropriately managed, including improper storage of flammable chemicals, unlabeled chemical containers, incompatible chemicals stored together, lack of signage, and hazardous wastes stored outdoors; and (3) access to electrical control panels was blocked in numerous locations throughout the facilities.

- The injury history of the Structural Maintenance Division for the past two fiscal years, as indicated in the recordable incidence rate and the recordable severity rate, has been particularly high, at averages of 29.3 and 618.6 respectively. Further, according to information provided by the Department's Office of Environment, Health and Safety, there are currently 23 open worker's compensation claims attributable to members and former members of the Structural Maintenance Division. If the Structural Maintenance Division can reduce its two-year average recordable severity rate from 618.6 to the Public Utilities Commission's Hetch Hetchy Water and Power Division's two-year average recordable severity rate of 148.4, lost work due to injuries of approximately 2.7 full time equivalent positions can be prevented in addition to the obvious health and welfare benefits to the employees.

- The Structural Maintenance Division is in need of a proper vehicle wash rack, not only for environmental concerns, but also in order to properly wash the vehicles.

Recommendations

The Structural Maintenance Division Manager should:

14.1 Take necessary action to improve the physical condition of the Structural Maintenance Division's yard, including continuing the cleanup effort of the individual shops and the common areas.

14.2 In conjunction with the Environment, Health and Safety Manager, develop and implement a plan to reduce significantly the incidence of injuries in the Structural Maintenance Division.

14.3 Obtain the resources required to provide the Structural Maintenance Division with a wash rack that is environmentally responsive and accommodates the vehicle washing requirements of the Structural Maintenance Division.

Costs and Benefits

The Budget Analyst's recommendations can be accomplished with existing staff in-house. The benefits of the recommendations would include a healthier, safer, and environmentally compliant workplace, and the prevention of lost work due to injuries of approximately 2.7 full time equivalent positions, based on the recordable severity rate of 148.4 achieved by the Hetch Hetchy Water and Power Division of the Public Utilities Commission.

15. Automotive and Mobile Equipment Management

- **The Recreation and Park Department's management of its vehicle fleet has been inadequate. The Recreation and Park Department has not ensured that the Department's vehicles maintained by the Central Shops received preventive maintenance on a timely basis. The Central Shops have not performed the scheduled preventive maintenance on 44 of the 81 general purpose vehicles, or 54.3 percent. The lack of preventive maintenance could result in estimated increased vehicle maintenance costs of $88,582 to $132,874 annually. Also, the Department of Administrative Services Central Shops has not transferred five of the Department's 81 general purpose vehicles to the City's Fleet Management program, as required by the Administrative Code, through an oversight.**

- **The Recreation and Park Department has not repaired or otherwise followed up on a March 9, 2005 Department vehicle accident for more than nine months. Although the driver of the non-City vehicle was at fault in the accident and that driver's insurance company tried to discuss settlement with Recreation and Park Department staff, the Department has not followed through on repairing the Department's damaged vehicle or seeking reimbursement from the non-City driver's insurance company. The Recreation and Park Department should seek $5,735 in reimbursement from the insurance company to cover the cost of the Department's vehicle repairs and the Department's employee's lost work time.**

Background

The Recreation and Park Department is currently assigned a total of 655 vehicles and pieces of mobile equipment. Of the 655 vehicles, 81 are general-purpose vehicles, defined as non-emergency response automobiles, and light-duty trucks and vans, and the remaining 568 are special-purpose vehicles or pieces of equipment such as flatbed trucks, tractors, backhoes, forklifts, mowers, street sweepers, and turf vehicles. Included in the Recreation and Park Department's general-purpose fleet are 18 sedans, but no sports utility vehicles.

For FY 2005-2006, the Recreation and Park Department has work ordered $1,359,461 to Central Shops for maintenance of its vehicle fleet, including $84,700 for maintenance of the Department's general-purpose vehicles under the City's Lease – Charge Back Program administered by the Director of Administrative Services. The remaining $1,274,761 is allocated for maintenance of Golf Fund equipment located at Harding Park

($248,186)[1] and maintenance of the Department's non-general-purpose equipment ($1,026,575).

The Purchasing and Contract Administration Division performs fleet administration services, such as tracking equipment and issuing documents for the repair of equipment involved in accidents, for the Recreation and Park Department. That Division's FY 2005-2006 objectives for fleet management are as follows:

- Implement a Memorandum of Understanding that includes performance measures with Central Shops for maintenance and repair of the department's equipment.
- Have a complete and accurate inventory report of all of the Department's equipment.
- Develop and implement regulations and procedures for all maintenance and repair operations.

The Employee Pull Notice Program

The California Highway Patrol is responsible for regulating the safe operation of certain types of vehicles. Accordingly, the California Highway Patrol has instituted safety programs covering vehicle maintenance requirements and a State driver license Employer Pull Notice Program for all drivers who are required to possess a Class A or Class B driver license. Each of the Recreation and Park Department's operating divisions operates vehicles that require driver enrollment in the Employer Pull Notice Program. An employer enrolled in the Employer Pull Notice Program is assigned a requester code. The requester code is added to an employee's driver license record. When an employee's driver license is updated to record an incident, a check is made electronically to determine if an employer pull notice is on file. If the incident is one that the California Highway Patrol reports under the Employer Pull Notice Program, a driver record is generated and mailed to the employer. The California Highway Patrol periodically checks sites required to be in the safety programs in order to determine compliance with the requirements.

The Budget Analyst evaluated the Recreation and Park Department's Employer Pull Notice Program in order to determine whether required employees are enrolled and whether the individual Driver Record Information is current, and detected no deficiencies or shortcomings in the Program.

The City's Fleet Management Program

Section 4.10-1 of the Administrative Code, *City-Owned and Leased Vehicles; Fleet Management Program,* provides for a Fleet Management Program to be administered by the Director of Administrative Services. All general-purpose vehicles owned, leased, or rented by the City are eligible for participation in the Program.

---

[1] The Harding Park funding can only be used for the maintenance and repair of Harding Park vehicles. The $248,186 cannot be used for the servicing other Recreation and Park Department vehicles.

Salient features of the Fleet Management Program are as follows:

- The legislation mandates that ***all*** general-purpose vehicles "are hereby transferred to the jurisdiction of the Director of Administrative Services."
- The Director of Administrative Services has primary authority over general-purpose vehicles but may assign such vehicles for use by City officers and departments.
- The Director of Administrative Services shall adopt rules and regulations implementing the Fleet Management Program, "including rules covering: terms, conditions, and fees for assignment of vehicles by the Department of Administrative services to individual City officers and departments, vehicle maintenance programs; and vehicle replacement plans."[2]
- Fees charged, "shall be used to pay for acquisition and replacement of vehicles, maintenance and repair, and other costs of administering the program."
- "The Director of Administrative Services may make appropriate provision for vehicles previously acquired using special, dedicated or otherwise restricted funds."
- The Director of Administrative Services is empowered to "establish, maintain and operate an automobile pool, the location of which shall be subject to the approval of the Board of Supervisors by resolution ... Vehicles now or hereafter allocated to any department ... shall be transferred to the jurisdiction [of] the Purchaser of Supplies for assignment to and use in the automobile pool, whenever such transfer shall be authorized and directed by resolution of the Board of Supervisors."

The Director of Administrative Services reports that no Recreation and Park Department general-purpose vehicles are assigned to a City automobile pool because of the distant location of the Department's vehicles.

Although Section 4.10-1 of the Administrative Code incorporates *all* general-purpose vehicles into the Fleet Management Program, as of the writing of this audit report, Central Shops had not transferred five of the Recreation and Park Department's 81 general-purpose vehicles to the Fleet Management Program. The Manager, Central Shops, has stated that the five vehicles were not transferred to the Fleet Management Program because of an oversight, and that the transfer would be made in the very near future.

---

[2] The Director of Administrative Services has established a Lease – Charge Back Program, whereby departments participating in the Fleet Management Program lease their general purpose vehicles from the Director of Administrative Services and are charged periodic lease payments to cover the maintenance of the vehicle, an administrative fee of $10 per vehicle, and a cost element to cover the eventual replacement of the vehicle.

Non-compliance with Scheduled Preventive Maintenance Inspections

As of November 28, 2005, 44 of 81 or 54.3 percent of the general-purpose vehicles maintained by Central Shops for the Recreation and Park Department were overdue for the six-month preventive maintenance lubrication and service. Numerous general-purpose vehicles last completed a preventive maintenance service in June of 2004, over one year ago.

Preventive maintenance is maintenance performed on equipment at specified time or operating intervals, such as monthly or every 1000 hours of operation. Six month preventive maintenance inspections ensure that vehicles are safe, are repaired economically before major maintenance is required, and preserve the useful life of vehicles. Central Shops reports that expected savings due to effective preventive maintenance programs average between 12 and 18 percent annually, which based on the Recreation and Park Department's automotive and mobile equipment maintenance budget of $1,359,461 for FY 2005-2006, including Harding Park Golf Course ($248,146), amounts to savings of between $88,582 and $132,874, annually, applying the 54.3 percent overdue rate of general-purpose vehicles to the entire fleet.

Improper Disposition of a Vehicle Involved in an Accident

A tour of the Structural Maintenance Division's yard area revealed a 1999 Ford Ranger, identification number 651Y402, vehicle parked in the lot normally reserved for the privately owned vehicles of Maintenance Division staff. The vehicle had major damage. The Budget Analyst was informed that the vehicle was involved in an accident on March 9, 2005, and had been towed to the Structural Maintenance Division's yard.

The police accident report includes a statement by the non-City driver that "he [the non-City driver] was traveling West on California St. approaching Divisadero St. when he inadvertently entered in the intersection against a red signal light." The accident report file indicates that the City driver was unable to work for approximately one week and was placed on restricted duty for a period of two weeks following his return to work.

The Budget Analyst has been advised that the non-City driver's insurance company attempted to contact someone within the Recreation and Park Department concerning a settlement, but was not successful in getting a response.

Thus, nine months have passed since the March 9, 2005, accident, but the Recreation and Park Department has not repaired or made other disposition on the vehicle. Further, the Recreation and Park Department has not obtained compensation for what appears to be a straightforward settlement for damage to the vehicle, and other compensation. The value of the lost work week for the City driver, who is a Classification 7346 Painter, is approximately $1,443 in basic salary and mandatory fringe benefits. The mid-range value of the 1999 Ford Ranger is $4,292. Therefore, the Recreation and Park Department should seek reimbursement in the amount of $5,735, as a minimum.

The Recreation and Park Department and Central Shops continue to list the Ford Ranger in the active inventory of vehicles.

Funding for Vehicle Maintenance

The Budget Analyst has been advised that the maintenance turnaround time for mowers is excessive. The Budget Analyst contacted the Manager, Automotive Shop, who provides maintenance for automotive equipment to the Recreation and Park Department on a work order basis. The Manager, Automotive Shop, informed the Budget Analyst that currently the typical turnaround time for small mowers is approximately four weeks, and that he considers a turnaround time of three to five days to be reasonable. The Manager, Automotive Shop, reports that turnaround time is beginning to improve because he recently filled a position that had been occupied by a person out on worker's compensation.

The Manager, Central Shops, reports that there has been a general decline in the automotive maintenance service provided to the Recreation and Park Department and that reason for the overall decline is that the Recreation and Park Department has provided insufficient work order funding. Table 15.1 below shows the amounts of work order funding and the number of supported pieces of equipment for FY 2005-2006 compared to FY 2000-2001, excluding Harding Park Golf Course, which is separately funded.

Table 15.1

Work Order Funding to Central Shops Excluding Harding Park Golf Course, FY 2005-2006 Compared to FY 2000-2001

Fiscal Year	Amount Appropriated (Nominal Dollars)	Amount Appropriated (Adjusted Dollars)	Pieces of Equipment Supported
2005-2006	$1,111,275	$982,745	1,498
2000-2001	1,229,955	1,229,955	1,343
Increase (Decrease)	**($118,680)**	**$247,210**	**155**

As shown in Table 15.1, in the five-year period between FY 2000-2001 and FY 2005-2006, the number of pieces of equipment supported by Central Shops increased by 155 or approximately 11.5 percent, while funding in nominal dollars,[3] decreased by $118,680 or approximately 9.6 percent. Adjusting the FY 2005-2006 amount of $1,111,275 to reflect purchasing power in FY 2000-2001 dollars yields $982,745, using the consumer price index tables for all urban consumers. Thus, in terms of purchasing power, between FY 2000-2001 and FY 2005-2006, the work load increased by approximately 11.5 percent, but the resources for performing the automotive and equipment maintenance service, in real dollars, decreased by $247,210 or approximately 20.1 percent (from $1,229,955 in FY 2000-2001 to $982,745 in FY 2005-FY 2005-2006).

---

[3] Nominal dollars are amounts that have not been adjusted to remove the effect of changes in the purchasing power of the dollar.

The Budget Analyst is not recommending that the Recreation and Park Department increase work order funding to Central Shops, which is a management decision for the Recreation and Park Department based on competing resource needs. However, the Recreation and Park Department should be aware that in real dollars, work order funding to Central Shops for automotive and mobile equipment maintenance has decreased over the specified five-year period, while the workload has increased, significantly.

Conclusions

Because 44 of the Department's 81 general-purpose vehicles are currently overdue for scheduled preventive maintenance inspections, the Recreation and Park Department is diminishing the benefits of such inspections, which are safe vehicles, economic repairs before major maintenance is required, and preserving the useful life of vehicles. Central Shops reports that expected savings due to effective preventive maintenance programs average between 12 and 18 percent annually, which based on the Recreation and Park Department's automotive and mobile equipment maintenance budget of $1,359,461 for FY 2005-2006, including Harding Park Golf Course ($248,146), amounts to savings of between $88,582 and $132,874 annually, applying the 54.3 percent overdue rate of general-purpose vehicles to the entire fleet.

The fact that the Recreation and Park Department has not repaired or made other disposition on a vehicle involved in an accident nine months ago denotes the need for emphasis on taking timely action concerning incidents such as vehicle accidents. Further, the Recreation and Park Department has not obtained compensation for what appears to be a straightforward settlement for damage to the vehicle, and perhaps other compensation. The value of the lost work week for the City driver, who is a Classification 7346 Painter, is approximately $1,443 in basic salary and mandatory fringe benefits. The mid-range value of the 1999 Ford Ranger is $4,292. Therefore, the Recreation and Park Department should seek reimbursement in the amount of $5,735, as a minimum.

Recommendations

The Recreation and Park Department General Manager should:

15.1 Emphasize the importance of complying with preventive maintenance inspection schedules.

15.2 Ensure that proper disposition is made of the 1999 Ford Ranger that was involved in an accident on March 9, 2005, including pursuing monetary settlement for the vehicle damage and for the lost work time of the City worker. Further, emphasize the importance of taking timely action on incidents, such as vehicle accidents.

The Manager, Central Shops, should:

15.3 Transfer the five general-purpose Recreation and Park Department vehicles that are currently not a part of the Fleet Management Program into the Program.

Costs and Benefits

The Budget Analyst's recommendations can be accomplished with existing staff in-house. The benefits of the recommendations would include better vehicle maintenance, awareness of the need for timely action on incidents such as vehicle accidents, and proper enrollment of vehicles in the Fleet Management Program.

With regard to the March 9, 2005 vehicle accident, the value of the lost work week for the City driver, who is a Classification 7346 Painter, is approximately $1,443 in basic salary and mandatory fringe benefits. The mid-range value of the 1999 Ford Ranger is $4,292. Therefore, the Recreation and Park Department should seek reimbursement in the amount of $5,735, as a minimum.

Central Shops reports that expected savings due to effective preventive maintenance programs average between 12 and 18 percent annually, which based on the Recreation and Park Department's automotive and mobile equipment maintenance budget of $1,359,461 for FY 2005-2006, including Harding Park Golf Course ($248,146), amounts to savings of between $88,582 and $132,874 annually, applying the 54.3 percent overdue rate of general-purpose vehicles to the entire fleet.

16. Managing the Capital Program

- **Over the past 15 years, there has been considerable scrutiny of, and investment in, the Department's capital assets and capital assets operated by other entities which are located in the City's parks (for example, the de Young Museum, the California Academy of Sciences, and the Music Concourse Parking Garage which have collectively received an investment of approximately $649.5 million).**

- **The Capital Program Phase I currently comprises 221 projects with a revised total estimated cost of $588,667,528, or $36,125,057 more than the current appropriations of $552,542,471. Capital Program Phase II and Phase III specify an additional 229 projects to be performed at 154 sites at an estimated additional cost of $553,000,000. The Department currently has no funding plan or scheduling plan for Phase II and Phase III which would increase the total Capital Program cost to $1,141,667,528 for 450 projects. The current projected funding shortfall to pay for all Phase I - III projects is $589,125,057.**

- Nevertheless, 70 projects have been completed, closed out, or cancelled for less cost than originally estimated and appropriated. A remaining $6,698,215 surplus appropriation for those 70 projects[1] has not yet been reallocated to other projects, despite the Capital Program Phase I's projected funding deficit of $36,125,057. Under-expenditures for one set of projects inevitably have an opportunity cost in terms of other projects which cannot use those funds until they are released for reallocation. Therefore, it is essential for the Department to be able to close out completed projects as quickly as possible in order to reallocate surplus funds to under-funded capital improvement projects.

- In May of 2004, 19 capital improvement projects being put on hold due to a projected shortfall at that time of $56.1 million. Consequently, no new capital improvement projects were started in 2004 or 2005. Eight capital improvement projects remain on hold given the ongoing funding shortfall for the Capital Program as a whole.

---

[1] Based on information provided by the Department on December 19, 2005, this figure of $6,698,215 has been revised downwards to $2,323,309 as of October 31, 2005.

- **In its *Capital Plan - 2004 Annual Update*,[2] the Department stated that, "In the past, projects were initiated with little direction as to the scope, budget or schedule at any specific site. This led to unmanageable expectations of communities that were given free rein to develop project scopes without care to cost or supported need." The Department needs to formalize its capital improvement project evaluation and selection criteria to best determine, as funding becomes available, which capital improvement projects should move forward.**

- **The Department needs to address the seismic deficiencies of facilities which house the Department's administrative staff. Housing City administrative staff in seismically unsafe buildings represents a significant liability to the City, particularly given how long the Department has known about the seismic deficiencies of certain buildings.**

Current Capital Assets

The Recreation and Park Department is responsible for recreational and park facilities covering approximately 5,400 acres of land spread over 230 sites including the 1,017 acre Golden Gate Park, over 80 neighborhood parks, Camp Mather in the High Sierras, Sharp Park in Pacifica, and the Furhman Bequest Property in Kern County.[3] The Department is responsible for physical facilities comprising 150 tennis courts, 145 children's play areas, 118 sports fields, 75 basketball courts, 50 neighborhood club houses, 45 bathroom facilities, 42 maintenance facilities, 27 recreation centers, ten field houses, nine swimming pools, six golf courses with five clubhouses, four stadiums, two carrousels, two windmills, two marinas, an arts and crafts studio, a children's museum, a zoo, and a summer camp compound. The Recreation and Park Department also manages 40 community gardens on City-owned property. Among all of these property holdings are ten historic landmarks. The Department is also responsible for a number of undeveloped land parcels. Nevertheless, according to the *Assessment Study: 1998-1999* (described in more detail below):

> In terms of total park acreage San Francisco has roughly half (five acres) of the national standard of 10 acres per 1,000 residents. In addition, much of San Francisco's park acreage is on hillside areas which, while certainly serving an open space function, do not translate into either active facilities or distributed community parks.

There are also a number of significant institutions located on Recreation and Park Department land which are operated by other agencies. The most notable examples of these are the de Young Museum (operated by the Fine Arts Museum, a separate City department[4]), the California Academy of Sciences (operated by a City department[5]), the Music Concourse Parking Garage (operated under the auspices of the Golden Gate Park Concourse Authority[6]), and the Zoo (operated by the San Francisco Zoological Society[7]).

---

[2] Recreation and Park Department, Capital Improvement Division, *Capital Plan - 2004 Annual Update* (March, 2005), page 118.

[3] The Furhman Bequest Property is ranch land bequested to the Recreation and Park Department and the Library for recreational purposes. It is currently leased for paintball games and ranching.

Chronology of Capital Improvements Since 1990

Over the past 15 years there has been intense scrutiny of the Department's capital assets, and numerous publicly and privately funded capital improvements to those capital assets and to capital assets operated by other entities which are located in the City's parks. The single most significant location of investment is in the area of Golden Gate Park's Music Concourse, which has received an investment of approximately $649.5 million. This is the cumulative total of $202 million in private funding for the new de Young Museum building, $55 million in private funding for the new Music Concourse Parking Garage, and $392.5 million in public and private funding for the new California Academy of Sciences building. A detailed chronology since 1990 of recreation and park capital improvement projects, and related facility assessments and funding initiatives, is contained in the Appendix to this management audit report. Specific key events are listed below.

Key Events

During the 15-year period of 1990 - 2005, there were a number of key events related to the Department's Capital Program:

- *Assessment Study: 1998-1999*: In September of 1999, the Department issued this report which was the product of a year long, $300,000 "Great Parks for a Great City" community consultation process jointly funded by the City and private donors. The study focused on the City's changing demographic profile, its recreation program needs, a physical assessment of its facilities, and an assessment of its future facility needs. With regard to the Department's capital assets, the study stated that:

---

[4] The de Young Museum owns its site and building. Through the Fine Arts Museums budget, the de Young Museum receives hotel tax and General Fund support from the City ($8,834,405 in the FY 2005-2006 budget for the de Young Museum and the Legion of Honor Museum). However, the museum largely funds itself through the revenues it generates and fundraising. All art is purchased privately or solicited by donation, and then given to the City.

[5] The Steinhart Aquarium, the Morrison Planetarium, the Natural History Museum, and related research and educational facilities located in the Golden Gate Park are operated by the California Academy of Sciences, a private nonprofit organization. The City owns the land and buildings and is responsible for providing operating funds for the Steinhart Aquarium ($1,702,378 in hotel tax and General Fund support in the FY 2005-2006 budget). The Recreation and Park Department will assume ownership of the new California Academy of Sciences buildings on completion, with the privately funded portions being contributed to the City. However, the facilities will be managed and controlled exclusively by the California Academy of Sciences.

[6] The Golden Gate Park Concourse Authority is a public agency of the City and County of San Francisco. The Golden Gate Park Concourse Authority's Executive Director and Executive Assistant are both City employees and are physically housed at the Recreation and Park Department's McLaren Lodge location.

[7] While the Zoo is operated by the non-profit San Francisco Zoological Society, the City owns the Zoo lands and buildings, is the guardian for the Zoo's animals, and has issued general obligation bonds on behalf of the Zoo.

> San Francisco's park facilities have suffered greatly from decades of deferred maintenance and lack of capital improvements. Even good maintenance cannot deter the effect of years of insufficient capital funds to upgrade and update facilities. The wear and breakdown in infrastructure, building apparatus and landscapes is often well beyond the repair or maintenance capabilities of the Department's maintenance division. (Section III, page 18)

The study also stated that "A long history of attempting to provide parks, activities, programs and other services based on an ever-expanding social and recreational agenda has layered parks with decades of decaying facilities" (Section VI, page 3). The study estimated deferred capital repair and renovation costs of $320 million resulting from deferred maintenance, excluding any capital improvement projects in Golden Gate Park. The study noted that, in many cases, the estimated repair or renovation costs exceeded the estimated cost of complete replacement given "the truly poor condition of most buildings."

Between August and November of 1999, Department staff developed a draft capital plan, using information contained in the *Assessment Study: 1998-1999* as its basis, by prioritizing capital improvement projects in terms of the Health and Safety Code, other code issues, hazardous materials, urgent need, likely funding sources, usage, visibility of improvement, Americans with Disabilities Act requirements, and the sites' historic significance. Between December of 1999 and February of 2000, the Department conducted a public consultation process which culminated in the Recreation and Park Commission approving, in March of 2000, a final ten year Capital Plan consisting of 440 projects at 230 sites.[8] Initially, the Capital Plan was not linked to the Department's Property and Facility Database which was still under construction at that time. That deficiency was rectified in 2003.

- *Neighborhood Park Improvement Bonds:* On March 7, 2000, voters approved $110 million in general obligation bonds for neighborhood parks (Proposition A). All of those $110 million in general obligation bonds have subsequently been allocated to capital improvement projects.

- *Proposition C Extension of the Open Space Fund:* On March 7, 2000, voters also approved an extension of the Park, Recreation and Open Space Fund through FY 2030-2031 which provides a dedicated revenue stream from property tax in the amount of $0.025 for each $100 in assessed valuation to help pay for park acquisition, renovation, and maintenance, and recreation and park programs (Proposition C).[9] Proposition C also (a) mandated a five year strategic plan[10] and a ten year plan for facility improvements, (b) expanded the role of the previous Open Space Advisory Committee, now renamed the Park, Recreation and Open Space Advisory Committee (PROSAC), to review and comment on the development and implementation of the capital, operations, and strategic plans, and the Department's budget, and (c) gave the Department the authority to manage its own capital projects, rather than relying exclusively on the Department of Public Works.

---

[8] Subsequent revisions to the Capital Program Phases I - III have increased the total number of projects to 450.

[9] The Open Space Fund is considered more fully in Section 5 of this management audit report.

[10] The Department's first Strategic Plan was approved by the Recreation and Park Commission in January of 2003.

- *Ten-Year Capital Program:* The ten year Capital Program began in FY 2000-2001 with an original estimated cost of $400 million (1998 dollars) which had not been escalated to cover future year labor and material costs. The current Capital Program Phase I estimate is $588,667,528. Capital Program Phase II and Phase III are estimated to jointly cost an additional $553,000,000. Therefore, the total Capital Program Phases I - III cost estimate is $1,141,667,528.

- *California Academy of Sciences Bonds:* On March 7, 2000, voters also approved $87.4 million in General Obligation Bonds for rebuilding the California Academy of Sciences. Bonds in the amount of $8 million were sold on October of 2004 to fund demolition and abatement, design-build services, public art, permits and fees, and pre-construction costs. The balance of the bonds, in the amount of $79.4 million, were sold in May of 2005. Combined with the $29.3 million bonds approved by voters in November of 1995 for the Steinhart Aquarium, voters approved General Obligation Bonds in the total amount of $116.7 million for the California Academy of Sciences rebuild project which in FY 1999-2000 was estimated to cost approximately $230 million. Therefore, voters were approving City bond funds for approximately 50.7 percent of the total estimated project cost. However, the estimated total project cost has subsequently increased to $392.5 million.[11] City bond funds now only represent approximately 29.7 percent of that revised total cost estimate. The total $392.5 million cost will fund the demolition of 11 existing buildings, the substantial renovation of one building (the Africa Hall), and the construction of a new building with a smaller footprint but greater floor space (increasing by 50,000 square feet, from 378,443 square feet to 428,443 square feet). The balance of the project costs, $275.8 million, is to be funded by Federal and State grants, 501(c)(3) conduit bonds issued by the California Infrastructure and Economic Development Bank,[12] and private donations.

---

[11] The amount of $392.5 million includes (a) $308 million for hard and soft costs related to construction of the buildings and exhibits, (b) $39.5 million for the Academy's temporary leased facility at 875 Howard Street and transitional expenses since the December of 2003 closure of the Academy's Golden Gate Park location, (c) $33 million for direct project costs (such as furniture, equipment, fundraising, internal project management, external accountants, a media campaign, and legal costs), and (d) $12 million for a planned increase in the Academy's endowment to provide a source of operating support for increased research, educational programs, and facilities.

[12] Conduit bonds are low interest tax exempt bonds for construction and acquisition which are issued through State or local government agencies for nonprofit organizations which are exempt from Federal taxes under Section 501(c)(3). These conduit bonds were issued in 2003 ($61.8 million) and 2005 ($110.1 million) and will be repaid through fundraising, admission revenues, and endowment funds. These bonds are solely the obligation of the California Academy of Sciences, and not of the City.

- *Martin Luther King, Jr. Pool:* In October of 2001, the Department completed its $9.4 million rebuild of the Martin Luther King, Jr. Pool in Bayview-Hunter's Point. The pool had been closed since 1996 when pieces of the roof fell into the pool. The rebuild was funded by the Open Space Fund (circumventing the priorities set by the Citizens' Open Space Advisory Committee) and a State grant. The final cost was $3.2 million or approximately 51.6 percent more than the $6.2 million estimated at the project's commencement,[13] the pool was opened two years later than the original 1999 re-opening schedule, and there was considerable adverse community and media comment on the Department of Public Works' choice of contractors and subcontractors, and inadequate enforcement of contractor accountability. The construction contract has still not been closed out despite project completion over four years ago in October of 2001. The Department advises that, since the project's completion, negotiations have taken place between the City and the project contractor to finalize a change order which would resolve all remaining financial disputes and impose Office of Labor Standards penalties for labor infractions. The Department anticipates that the project will be officially closed out "in the next few months."

- *Capital Improvement Projects Placed on Hold:* In April of 2004, the Recreation and Park Commission agreed to scale back three capital improvement projects and suspend 19 capital improvement projects due to a $56 million funding shortfall. The Department attributed this funding shortfall to (a) lower than projected Open Space Fund contributions, and greater utilization of Open Space Funds for operating costs rather than capital improvement projects, (b) higher than estimated construction costs, and (c) costlier designs suggested by the community and staff for some of the initial projects. As a result, no new capital improvement projects were initiated in 2004. The Recreation and Park Commission also requested that the Capital Division attempt to make a 10 percent budget cut across all capital improvement projects and develop an objective system for prioritizing the on hold projects for future funding. (Based on the *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*, by August 31, 2005 two of the original 19 on-hold projects had become active projects, eight remained on hold given the funding shortfall for the Capital Program as a whole, five are being rescheduled to start later than originally planned, and four are moving into their planning phases.)

- *Project Evaluation and Selection Criteria:* In the Summer of 2004, the Recreation and Park Commission adopted draft capital improvement project evaluation and selection criteria for use during the budget process, based on (a) input from the community, including a task force assembled by the Park, Recreation and Open Space Advisory Committee, (b) the American Planning Association's guidelines, *Capital Programs: Linking Budgeting and Planning,* and (c) the San Francisco Unified School District's bond program criteria. The intent of this process was to ensure an objective system for determining the priority order in which the 19 on hold capital improvement projects should move forward as funding is secured.[14] The draft criteria are subject to further development so that they can be used to evaluate and rank the next phase of capital improvement projects. These criteria are part of the Capital Division's attempts "to better plan and budget for upcoming projects. In the past, projects were initiated with little direction as to the scope, budget or schedule at any specific site. This led to unmanageable expectations of communities that were given free rein to develop project scopes without care to cost or supported need" (*Capital Plan - 2004 Annual Update*). The Department advises that it will be working with the Park, Recreation and Open Space Advisory Committee and the general community to review and potentially refine the evaluation and selection criteria. In the professional judgement of the Budget Analyst, formalizing the Department's capital improvement project evaluation and selection criteria to best determine, as funding becomes available, which capital improvement projects should move forward would allow the Department to maximize the value of that funding in terms of achieving predetermined priorities.

---

[13] The *Assessment Study: 1998-1999* had estimated an even lower capital improvement cost for the Martin Luther King, Jr. Swimming Pool at $5,175,000.

- *Recreation Assessment Report:* In August of 2004, the Department published a *Recreation Assessment Report* which advised that "Best practice agencies develop a Capital Program based on at least a 3% annual investment of the total asset value of the park system. Approximately 60% of capital improvement funds are dedicated to maintaining and extending the functional life of existing facilities. The remaining 40% is used to build new facilities and amenities." The Budget Analyst notes that , assuming a total Capital Program Phases I - III cost of $1,141,667,528 (the current estimate for all three Capital Program phases if all 450 proposed capital improvement projects proceed), a 3 percent annual investment of the total asset value of the park system would be $34,250,026 per year, comprising $20,550,016 (60 percent) for maintenance and $13,700,010 (40 percent) for new facilities and amenities. These amounts are, of course, significant underestimates because they do not recognize the pre-renovation value of the Department's assets.

- *Capital Plan - 2004 Annual Update:* In March of 2005, the Department's Capital Division issued its report, *Capital Plan - 2004 Annual Update*. During development of the 2004 Capital Plan, the Department had identified the need to:

  1. Develop a comprehensive plan for citywide renovation projects (for example, field rehabilitation and court resurfacing). No such plan has been developed to date. In the professional judgement of the Budget Analyst, a comprehensive plan

---

[14] The project prioritization evaluation criteria included (a) preventing risk to public safety or health, (b) protecting and conserving natural and built resources, (c) improving operating efficiency and/or generating new revenue sources, (d) ensuring coordination with other capital improvement projects, complying with the law, meeting the Department's goals and objectives, or actively engaging the community, (e) ensuring equitable provision of services and facilities, and (f) providing a new or substantially expanded facility which can provide an essential service, or level of service, not currently available. The funding evaluation criteria included (a) the entire project can be completed with the available funds, (b) the project can be efficiently divided into a series of smaller projects so that a portion can be completed using the available funds, and (c) the project furthers the goal of distributing capital improvements across all San Francisco neighborhoods.

for citywide renovation projects would reduce deferred maintenance if adequately funded. In the future, such an approach would reduce the need for capital programs, such as the current one, which are driven primarily by the cumulative deferred maintenance needs of the recreation and park system as a whole rather than by, for example, a desire to address proactively the City's changing needs.

2. Develop a Master Plan to better integrate the Urban Forestry and Natural Areas Programs with the Capital Program:.

   - With regard to urban forestry, the Department advises that it does not have a comprehensive plan for its Urban Forestry Program, that the preparation of such a plan would be very costly,[15] that tree assessments only remain certified for a year, and that should an urban forestry plan be produced, it is not clear whether the resulting projects would qualify as capital projects under certain funding sources. An urban forestry plan is likely to conclude that some urban forestry projects could most appropriately be handled by operations staff, while other projects could more appropriately be incorporated into adjacent capital projects (as is the current practice). The Budget Analyst considers that a comprehensive overview of the Department's urban forestry holdings and their interface with the Department's capital projects would be a useful planning tool because it would avoid the more ad hoc approach currently in place. Nevertheless, the Budget Analyst acknowledges the funding constraints affecting the Department's ability to undertake comprehensive urban forestry planning.

   - With regard to natural areas, the Department plans to present a draft Natural Areas Plan to the Recreation and Park Commission by March 31, 2006 so that projects specified in that plan which meet capital project criteria[16] can be incorporated into the *Capital Plan - 2005 Annual Update* which will be issued in March of 2006.

   In the professional judgement of the Budget Analyst, both the Urban Forestry and the Natural Areas Programs should be incorporated into the Capital Plan given their political significance and the significant resources associated with each program.

3. Expand department-wide research and analysis to ensure that programming drives the capital improvements. The Department advises that the 2004 creation of its first fully funded, staffed, and autonomous Planning Division will allow the Department to focus on long-range, integrated planning. Planning Division deliverables in 2005 include the roll-out of two new surveys to collect user data on recreational programming and parks. This information is intended to be available for capital planning purposes beginning in 2006. In addition, the

---

[15] Based on a reforestation assessment performed at the Presidio, the Department estimates that an assessment of the 30,000 trees in Golden Gate Park alone would cost approximately $600,000.

[16] The criteria for capital projects include (a) project budgets which exceed $50,000, (b) project life cycles of at least three years, and (c) projects that have or increase asset value.

Department has commissioned a nexus study which will assess the appropriateness of assessing development fees for the purpose of acquiring and developing open space.

In the *Capital Plan - 2004 Annual Update,* capital improvement project start year information was replaced with a new system of phases because:

> As the program progressed, it became apparent that the resources available, in both funding and staff, could not keep up with the aggressive schedule presented in the Capital Plan Project List. Each year projects were rescheduled to accurately reflect the progress of the program. In 2003, 219 changes were made from the 2002 plan. This included 153 schedule changes, 10 projects added, 2 projects deleted, and 54 technical changes. Due to the slow down of new funds into the program, another 73 or more schedule changes were predicted for [the 2004] plan year."[17]

- Harding and Fleming Golf Courses: In August of 2005, the complete renovations of Harding and Fleming Golf Courses, their maintenance facility, and their clubhouse were completed at a cost of $23.6 million. By the time the Harding and Fleming Golf Course renovations were complete, the total cost had increased from a 2002 estimate of $16 million to the $23.6 million. This represents a total increase of approximately $7.6 million or 47.5 percent. According to a March 4, 2004 memorandum from the Department to the Budget Analyst, the additional expenditures were required due to "unforeseen project costs" related to (a) mandatory destruction of old wells discovered on the site, (b) demolition of buildings previously intended for re-use, (c) golf course drainage and erosion problems, (d) additional maintenance building and clubhouse facilities, and (e) new utilities.

Capital Program Phase I Progress

By August 31, 2005, the Department had completed 49 projects, closed out 19 projects, and cancelled two projects in its Capital Program Phase I, for a total of 70 projects, at a total cost of $98,090,570. The Capital Program Phase I includes capital improvement projects commenced prior to the 2000 Neighborhood Parks Improvement Bonds. A further 49 projects, with a total appropriation of $146,968,968, were actively in their planning, design, bid, or construction phases. The Department's Capital Division, in conjunction with the Department of Public Works, had also completed or closed out eight other projects, seven of which are located in Golden Gate Park and one of which is located in Sharp Park.

Table 16.1 below summarizes the status of the Capital Program Phase I as of August 31, 2005. The Capital Program Phase I currently comprises 221 projects. Of the Capital Program Phase I's total $552,542,471 appropriation for these 221 projects, the Department has reserved, expended, or encumbered $289,413,298 or approximately 52.4

---

[17] San Francisco Recreation and Parks Capital Division, *Capital Plan 2004 Annual Update* (March of 2005).

percent. This leaves an available balance of $263,129,173 or approximately 47.6 percent. The total current appropriations of $552,542,471 are $36,125,057 or approximately 6.1 percent less than the Department's total revised estimated cost of $588,667,528 for the 221 projects.

Table 16.1

Current Status of the Capital Program Phase I as of August 31, 2005

Project Category	Total Appropriation	Actual $ Reserved, Expended, or Encumbered	Available Balance	Revised Estimated Cost	Current Appropriation Surplus / (Deficit)
Completed, Closed Out, or Cancelled (70 projects)	$105,097,785	$98,399,570	$6,698,215	$101,906,006	$3,191,779
Active (49 projects)	146,968,968	59,133,597	87,835,371	169,401,431	(22,432,463)
On hold, Rescheduled, or Planning Phase (17 projects)	1,968,952	266,633	1,702,319	1,603,001	365,951
Citywide, Master Accounts, Unallocated Funds (12 projects)	15,439,330	15,210,330	229,000	12,772,149	2,667,181
Other (4 projects)	4,174,609	2,886,232	1,288,377	26,992,000	(22,817,391)
Golden Gate Park (35 projects)	188,348,586	46,623,738	141,724,848	192,717,401	(4,368,815)
Zoo (1 project)	53,093,705	43,089,615	10,004,090	51,840,462	1,253,243
Majority Open Space Funded Projects					
Property Acquisitions (12 projects)	9,509,949	9,402,852	107,097	9,536,263	(26,314)
Contingency (2 projects)	6,083,592	29,852	6,053,740	5,093,592	990,000
Various Citywide Projects (19 projects)	21,856,995	14,370,879	7,486,116	16,805,223	5,051,772
TOTAL (221 projects):	**$552,542,471**	**$289,413,298**	**$263,129,173**	**$588,667,528**	**($36,125,057)**

Source: Recreation and Park Department Capital Division, *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*

The (a) completed, closed out, or cancelled projects, (b) active projects, (c) on hold, rescheduled, or planning phase projects, (d) citywide and master account projects, (e) other projects, and (f) Golden Gate Park projects are detailed below.

Completed, Closed Out, or Cancelled Projects

Based on the *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*, prepared by the Department, 70 capital improvement projects were completed (49 projects), closed out (19 projects), or cancelled (two projects) by August 31, 2005. (These figures exclude completed and closed out Golden Gate Park capital improvement projects which are discussed below.) Of the 70 completed capital improvement projects, 28 had begun prior to voter approval of the 2000 Neighborhood Park Improvement Bonds.

***Completed, Closed Out, or Cancelled Projects Identified in the* Assessment Study: 1998-1999**

Forty-six of the 70 completed or closed out projects had been identified in the *Assessment Study: 1998-1999* with an estimated total cost of $100,092,811. The total actual cost of these 46 projects was $73,753,863, which was $26,338,948 or approximately 26.3 percent less than the 1998-99 estimate. The total funds appropriated for these 46 projects was $77,723,778, which was $3,969,915 or approximately 5.4 percent more than the $73,753,863 expended and encumbered. The Department advises that any surplus will be reallocated to other projects as determined and authorized.

The Balboa Park Master Plan project was cancelled after the expenditure of $3,693 of its $10,000 appropriation because the master plan was deemed unfeasible. Two of the projects (Julius Kahn Playground and Head/Brotherhood Mini Park) were funded from gifts-in-place.

***Completed, Closed Out, or Cancelled Projects Not Identified in the* Assessment Study: 1998-1999**

The remaining 24 completed, closed out, or cancelled projects had not been identified in the *Assessment Study: 1998-1999*. Instead, they were identified through a community consultation and scoping process. Their cumulative cost was $24,645,707. The total funds appropriated for these 24 projects was $27,374,007, which was $2,728,300 or approximately 11.1 percent more than the $24,645,707 reserved, expended, and encumbered. The Department advises that any surplus will be reallocated to other projects as determined and authorized.

The Visitacion Valley Greenway Community Garden project was cancelled with no expenditures because the location was already usable as a community garden. Three of the projects (Koshland Park Perimeter Fending, St. Mary's Playground Dog Park, and Visitacion Valley Greenway - Hans Schiller Plaza) were funded from gifts-in-place.

All 70 Completed, Closed Out, or Cancelled Projects

Based on the above information, the cumulative cost of all 70 projects was $98,399,570, which was $6,698,215 less than the total appropriation of $105,097,785. The surplus appropriation of $6,698,215[18] has not yet been reallocated to other projects, despite the Capital Program Phase I's funding deficit. While the Department advises that the budgeting of $6,698,215 more than finally required to these 70 projects has not delayed subsequent projects from starting earlier, the Budget Analyst notes that under-expenditures for one set of projects inevitably have an opportunity cost in terms of other projects which cannot use those funds until they are released for reallocation. Therefore, it is essential for the Department to be able to close out completed projects as quickly as possible in order to reallocate surplus funding to under-funded capital improvement projects.

In response to the Budget Analyst's questions about when the surplus funds would be reallocated to other, under-funded projects, the Department advised that:

> The closing of completed projects is not totally under the Department's control. Funds are transferred to other departments, such as the Department of Public Works or the Art Commission. Until the controlling department completes its closeout process, the [Recreation and Park] Department cannot move surplus funds. When funds are returned, the [Recreation and Park] Department can finalize the review of surplus and close out any restricted grant funds. When remaining balances are identified for redistribution, the distribution of surplus funds will be analyzed against projects in need of funding.
>
> The timing of when redistribution happens depends on the type of funding source. Based on how funds were appropriated may require [Board of Supervisors] approval. Some funds are under a general master [account] and can be redistributed sooner.

The Budget Analyst considers this response to be overly bureaucratic given that the Recreation and Park Department and the Department of Public Works share project management responsibilities for the Recreation and Park Department's Capital Program and the responsible staff are physically co-located. Similarly, an entity such as the Art Commission, which is responsible for just one component of a capital improvement project, should not be creating barriers to a smooth project close-out process.

Active Projects

Based on the *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*, 49 capital improvement projects are currently in the planning, design, bid, or construction phases. Two of these projects had begun prior to voter approval of the 2000 Neighborhood Park Improvement Bonds.

---

[18] Based on information provided by the Department on December 19, 2005, this figure of $6,698,215 has been revised downwards to $2,323,309 as of October 31, 2005.

Active Projects Identified in the Assessment Study: 1998-1999

Of the 49 active projects, 29 were identified in the *Assessment Study: 1998-1999* with an estimated total cost of $83,304,126. Unlike the 46 completed or closed out projects which were completed for less than the costs identified in the *Assessment Study: 1998-1999*, the 29 active projects identified in the *Assessment Study: 1998-1999* will cost significantly more. As shown in Table 16.2 below, the total appropriation for these 29 active projects is $118,774,741, which is $35,470,615 or 42.6 percent more than the *Assessment Study: 1998-1999* estimate of $83,304,126. Further, the Department has revised upwards its estimated cost for these 29 active projects to $137,910,200, which results in an appropriation deficit of $19,135,459.

Recreation and Park Department and Department of Public Works staff, plus community organization representatives knowledgeable about the Capital Program, posit a variety of reasons for these cost increases:

- The initial lack of a well developed capital plan to provide the necessary overarching framework for the Capital Program.

- Project scopes often grew in response to communities' input, and the Department did not always constrain community expectations as to project costs, scope (quality and quantity), and schedules. The Department did not always encourage communities to identify other funding sources for non-core project enhancements.

- Construction industry cost escalation (11 percent in 2004), the high costs of public sector projects in San Francisco, and the limited pool of contractors prepared to bid on local projects thereby limiting competition.

- Some Recreation and Park Department Capital Division staff, recruited from the private sector, did not have San Francisco public sector project cost estimating experience, while some Department of Public Works project managers accepted unrealistic project scopes and budgets from the Recreation and Park Department which had been insufficiently vetted.

Expenditures have been incurred against all 29 projects. As of August 31, 2005, the Department has reserved, expended, or encumbered $44,792,224. This represents approximately 37.7 percent of the total appropriation of $118,774,741 or approximately 32.5 percent of the revised estimated cost of $137,910,200.

Active Projects Not Identified in the Assessment Study: 1998-1999

The remaining 20 active projects were not identified in the *Assessment Study: 1998-1999*. Instead, they were identified through a community consultation and scoping process. As shown in Table 16.2 below, the total appropriation for these 20 active projects is $28,194,227. Unlike the 24 completed, closed out, or cancelled projects which had not been identified in the *Assessment Study: 1998-1999* which were completed for less than their appropriations, the 20 active projects not identified in the *Assessment Study: 1998-1999* are projected to cost more than their current appropriations. The Department has revised its estimated cost for these 20 active projects to $31,491,231, which results in an appropriation deficit of $3,297,004.

Of the 20 active projects, no funds have been appropriated for, or expended against, the Alamo Square Irrigation Renovation Project, the Duboce Park - Scott Street Labyrinth Project, or the India Basin Shoreline Park Restroom Project. No funds have been appropriated for the Lake Merced Habitat Entrance Natural Area Project, despite the expenditure of $2,483. No funds have been expended against the Potrero Hill Playground Project, although $100,000 has been appropriated.

All 49 Active Projects

As shown in Table 16.2 below, the revised estimated cost of all 49 active projects is $169,401,431, which is $22,432,463 more than the total current appropriation of $146,968,968.

Table 16.2

Active Capital Improvement Projects as of August 31, 2005

	Assessment Study 1998-1999 Estimate	Total Current Appropriation	Actual $ Reserved, Expended, or Encumbered	Available Balance	Revised Estimated Cost	Appropriation Surplus/ (Deficit)
Active Capital Improvement Projects Identified in the Assessment Study	$83,304,126	$118,774,741	$44,792,224	$73,982,517	$137,910,200	($19,135,459)
Active Capital Improvement Projects Not Identified in the Assessment Study	0	28,194,227	14,341,373	13,852,854	31,491,231	(3,297,004)
TOTAL:	**$83,304,126**	**$146,968,968**	**$59,133,597**	**$87,835,371**	**$169,401,431**	**($22,432,463)**

Source: Recreation and Park Department Capital Division, *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*

On Hold, Rescheduled, or Planning Phase Projects

In April of 2004, the Recreation and Park Commission agreed to scale back three capital improvement projects and suspend 19 capital improvement projects due to a $56.1 million funding shortfall. The Department attributed this funding shortfall to (a) lower than projected Open Space Fund contributions, and greater utilization of Open Space Funds for operating costs rather than capital improvement projects, (b) higher than estimated construction costs, and (c) costlier designs suggested by the community and staff for some of the initial projects. As a result, no new capital improvement projects were initiated in 2004 or 2005. The Recreation and Park Commission also requested that the Capital Division attempt to make a 10 percent budget cut across all capital improvement projects and develop an objective system for prioritizing the on hold projects for future funding.

In the Summer of 2004, the Recreation and Park Commission adopted a draft capital improvement project evaluation and selection criteria for use during the budget process, based on (a) input from the community, including a task force assembled by the Park, Recreation and Open Space Advisory Committee, (b) the American Planning Association's guidelines, *Capital Programs: Linking Budgeting and Planning,* and (c) the San Francisco Unified School District's bond program criteria. The intent of this process was to ensure an objective system for determining the priority order in which on hold capital improvement projects should move forward as funding is secured.[19]

Based on the *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005,* by August 31, 2005 two of the original 19 on-hold projects had become active projects, eight remained on hold given the funding shortfall for the Capital Program as a whole, five are being rescheduled to start later than originally planned, and four are moving into their planning phases.

The longer projects are on hold, the more significant the impact of cost escalation will be on their overall costs. As noted above, construction industry cost escalation in 2004 was approximately 11 percent.

---

[19] The project prioritization evaluation criteria included (a) preventing risk to public safety or health, (b) protecting and conserving natural and built resources, (c) improving operating efficiency and/or generating new revenue sources, (d) ensuring coordination with other capital improvement projects, complying with the law, meeting the Department's goals and objectives, or actively engaging the community, (e) ensuring equitable provision of services and facilities, and (f) providing a new or substantially expanded facility which can provide an essential service, or level of service, not currently available. The funding evaluation criteria included (a) the entire project can be completed with the available funds, (b) the project can be efficiently divided into a series of smaller projects so that a portion can be completed using the available funds, and (c) the project furthers the goal of distributing capital improvements across all San Francisco neighborhoods.

On Hold, Rescheduled, and Planning Phase Projects Identified in the Assessment Study: 1998-1999

Of the 17 remaining on hold, rescheduled, and planning phase projects as of August 31, 2005, eight had been identified in the *Assessment Study: 1998-1999* with an estimated total cost of $11,158,110. To date, the total appropriation for these eight on hold, rescheduled, and planning phase projects is $667,808, which is $10,490,302 or approximately 94.0 percent less than the 1998-99 estimate. Only expenditures and encumbrances in the amount of $94,071 have already been incurred against four of these eight on hold, rescheduled, and planning phase projects, leaving $573,737 in unexpended funds.

On Hold, Rescheduled, and Planning Phase Projects Not Identified in the Assessment Study: 1998-1999

Nine of the on hold, rescheduled, and planning phase projects as of August 31, 2005 were not identified in the *Assessment Study: 1998-1999.* Instead, they were identified through a community consultation and scoping process. To date, the total appropriation for these nine on hold, rescheduled, and planning phase projects is $1,301,144. Only expenditures and encumbrances in the amount of $172,562 have already been incurred against three of these nine on hold, rescheduled, and planning phase projects, leaving $1,128,582 in unexpended funds.

Citywide and Master Account Projects

Based on the *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*, the Department has appropriated $12,804,493 for citywide projects related to Capital Program management, the City Services Auditor, a Master Neighborhood Account,[20] and other program costs (staff time for Capital Program design standards). As of August 31, 2004, the Department has reserved, expended, or encumbered $12,747,434 of that amount, or almost all of the current appropriation.

The Department has appropriated $2,634,837 to eight Master Accounts, one each for community pools, mini-parks, parks and squares, playgrounds, recreation centers, regional parks, signage and information, and clubhouses. These Master Accounts capture undistributed allocations in the City's FAMIS accounting system which the Department is currently adjusting so that expenditures can be allocated to specific projects. The Department has revised slightly upwards the estimated costs for these Master Accounts to $2,929,176 and has expended and encumbered $2,586,816 to date.

---

[20] The Master Neighborhood Account represents undistributed allocations to specific projects in the City's FAMIS accounting system. Some projects' expenditures were captured in the Master Neighborhood Account because the project structure was not defined at the time the projects were started. The Department is currently working on adjustments to the cost information to correctly identify project expenditures for specific sites.

Other Projects

The Department is in the planning stages of a San Francisco Marina Small Craft Harbor Renovation Program. As of August 31, 2005, $2,751,148 has been expended or encumbered out of a current total appropriation of $4,049,284 funded by the Port. However, the total project costs for (a) reconstructing and renovating the San Francisco Marina's West and East Harbors' docks, ramps, berthing areas, and existing buildings, (b) dredging the harbors, and (c) constructing two breakwaters, a new play structure and biking path, and disability access upgrades are estimated to be approximately $36 million, if these projects move forward in their current form.

The Department is undertaking two Candlestick Park projects. Capital improvements to a light tower have been completed, but capital improvements to a retaining wall have not been completed due to a funding shortage. As of August 31, 2005, $9,670 has been expended despite the lack of an appropriation for these improvements which have a revised estimated cost of $810,000.

The Department has completed a Sharp Park Water Tank Project at a total cost of $125,414. This was funded by the Open Space Fund.

Golden Gate Park Projects

Based on the *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*, 35 capital improvement projects are located in Golden Gate Park.

Table 16.3 below summarizes the capital improvement projects located in Golden Gate Park. Out of a total appropriation of $188,348,586, $46,623,738 or approximately 24.8 percent has been expended or encumbered on 35 capital improvement projects in Golden Gate Park, as of August 31, 2005. Of these 35 capital improvement projects, seven have been completed or closed out at a total cost of $26,257,324. This leaves a balance of $162,091,262 or approximately 86.1 percent available for completion of the 28 projects not yet completed or closed out. The available balance includes $352,461 from under-expended budgets from the seven projects which have been completed or closed out to date.

However, as shown in Table 16.3 below, based on the Department's revised estimates of $192,717,401 for the 35 Golden Gate Park capital improvement projects, the Department will have a $4,368,815 funding deficit. This deficit will only be partially alleviated by the fact that (a) seven projects have not yet entered the planning and design phases, despite the expenditure or encumbrance of $930,834 for those seven projects, and (b) one further project is on hold, despite the encumbrance of its entire $755,836 budget, fully funded by the 1992 Golden Gate Park Bonds.

Table 16.3

Golden Gate Park Capital Improvement Projects
As of August 31, 2005

Project Category	Total Current Appropriation	Actual $ Expended or Encumbered	Available Balance	Revised Estimated Cost	Current Appropriation Surplus / (Deficit)
Completed or Closed Out (7 projects)	$26,609,785	$26,257,324	$352,461	$26,335,606	274,179
Construction Phase (10 projects)	21,103,320	12,342,497	8,760,823	22,040,268	(936,948)
Bid Phase (1 project)	1,725,000	108,970	1,616,030	1,200,000	525,000
Design Phase (4 projects)	4,773,652	156,694	4,616,958	4,773,652	0
Planning Phase (5 projects)	129,487,453	6,071,583	123,415,870	134,578,124	(5,090,671)
No Phase (7 projects)	3,893,540	930,834	2,962,706	3,033,915	859,625
On Hold (1 project)	755,836	755,836	0	755,836	0
TOTAL (35 projects):	**$188,348,586**	**$46,623,738**	**$141,724,848**	**$192,717,401**	**($4,368,815)**

Source: Recreation and Park Department Capital Division, *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*

Golden Gate Park Facilities Which House Administrative Staff

Some facilities which house the Department's administrative staff either have seismic issues which need to be addressed, or have had no formal assessment of their seismic safety:

- Camp Mather: While there is an annual structural evaluation of the facilities prior to opening each spring, the evaluations of the main dining hall are described by the Department as "cursory" and no formal evaluation has been conducted.

- Kezar Pavilion: The Kezar Pavilion is in very poor condition. An initial structural evaluation has been completed and approximately $867,000 in State Proposition 40 funds have been identified for planning purposes. The Department anticipates further evaluation and planning in the Spring of 2006. A seismic assessment was conducted in the 1990s for the Kezar Pavilion tool house which did not identify any seismic deficiencies.

- McLaren Lodge and Annex: The historic McLaren Lodge and its more modern annex house the majority of the Department's administrative staff. In 2003, consultants were hired to review a 1992 study on the buildings' seismic deficiencies and to develop options for seismically upgrading the buildings. Three options were presented, with estimates ranging between $7 million and $13.1 million in 2002 dollars. Although $7,280,424 has been appropriated for the McLaren Lodge Restoration Project, and $307,820 has been spent to date, no further decision has been made by the Department on how to proceed with seismically securing this building.

- Park Aid Station: The historic Park Aid Station building houses the Department's Volunteer and Natural Areas Programs and sits on a large, under-utilized site. The Department of Public Works' Bureau of Architecture has prepared a conceptual design and budget. Although $1,201,974 has been appropriated for the Park Aid Station Renovation Project (which is approximately 42.6 percent of the revised estimated total cost of $2,818,680), and $83,500 has been spent to date, no further decision has been made by the Department on how to proceed with seismically securing this building.

- Urban Forest Center: A conceptual program for this facility has been completed, a conceptual budget in excess of $3.5 million has been developed, and approximately $783,000 in State Proposition 40 funds have been identified for this project. Work on this project will need to be phased. Further evaluation and planning is anticipated for the Spring of 2006.

Administrative staff are also located at Candlestick Park, the Park Patrol Office, the Pioneer Log Cabin, the Randall Museum, the Structural Maintenance Division's yard, and the Nursery. The Department advises that it currently does not have the resources necessary to complete a formal facility assessment conducted by a structural engineer for each of these locations. However, the Department assumes, based on the age of the buildings and the fact that building and seismic safety codes are constantly evolving, that these facilities would require some structural improvements to bring them up to current code. In the early 1990s, the Randall Museum and the Nursery were rated a 2 and 3 respectively under the City's 5 point Seismic Rating System, with 1 indicating that a building would fare well in an earthquake of a certain magnitude and 5 representing a complete structural failure. The Department advises that both buildings require an updated seismic safety evaluation.

In the professional judgement of the Budget Analyst, housing City administrative staff in seismically unsafe buildings represents a significant liability to the City, particularly given how long the seismic deficiencies of certain buildings have been known. The Department needs to both (a) address the known seismic deficiencies of the structures which house administrative staff, and (b) comprehensively evaluate the seismic safety of all structures which house administrative staff so that a determination can be made about whether corrective work is required.

Unfunded Projects

As shown in Table 16.1 above, the Capital Program Phase I currently consists of 221 projects with a revised total estimated cost of $588,667,528, or $36,125,057 more than the current appropriations of $552,542,471. The Department's current policy to address this $36,125,057 shortfall is to pursue grants and philanthropic gifts, while reducing the scope of all active projects.

Capital Program Phase II and Phase III specify 229 projects to be performed at 154 sites at an estimated cost of $553,000,000. These projects have been prioritized, but no schedule has been set. The Department's current policy is to refrain from initiating any new projects until all current projects are fully funded. The Department currently does not have a plan for funding Phase II and Phase III which would increase the total Capital Program cost to $1,141,667,528 if all 450 proposed capital improvement projects proceed (the existing estimate of $588,667,528 for Phase I plus $553,000,000 for Phase II and Phase III). Future funding options for the Capital Program are discussed in more detail in Section 17 of this management audit report.

Conclusions

Due to its projected $589,125,057 funding shortfall, successful future management of the Capital Program Phases I - III will require the Department to:

- Ensure timely project close-out so that surplus funding can be reallocated as quickly as possible to under-funded capital improvement projects.

- Formalize the Department's capital improvement project evaluation and selection criteria to best determine, as funding becomes available, which capital improvement projects should move forward.

- Develop a comprehensive plan for citywide renovation projects (such as field rehabilitation and court resurfacing).

- Incorporate the Urban Forestry and Natural Areas Programs into the Department's Capital Plan.

The Department needs to address the seismic deficiencies of facilities which house the Department's administrative staff. Housing City administrative staff in seismically unsafe buildings represents a significant liability to the City, particularly given how long the Department has known about the seismic deficiencies of certain buildings.

Recommendations

The Recreation and Park Commission and the Recreation and Park Department General Manager should:

16.1 Ensure timely project close-out so that surplus funding can be reallocated as quickly as possible to under-funded capital improvement projects.

16.2 Formalize the Department's capital improvement project evaluation and selection criteria to best determine, as funding becomes available, which capital improvement projects should move forward.

16.3 Develop a comprehensive plan for citywide renovation projects.

16.4 Incorporate the Urban Forestry and Natural Areas Programs into the Department's Capital Plan.

16.5 Address the seismic issues at Kezar Pavilion, McLaren Lodge and Annex, the Park Aid Station, and the Urban Forest Center.

16.6 Evaluate the seismic condition of Camp Mather, Candlestick Park, the Park Patrol Office, the Pioneer Log Cabin, the Randall Museum, the Structural Maintenance Division's yard, and the Nursery.

Costs and Benefits

While the Department advises that the budgeting of $6,698,215 more than finally required to the 70 completed, closed out, or cancelled projects has not delayed subsequent projects from starting earlier, the Budget Analyst notes that under-expenditures for one set of projects inevitably have an opportunity cost in terms of other projects which cannot use those funds until they are released for reallocation. Therefore, it is essential for the Department to be able to close out completed projects as quickly as possible in order to reallocate surplus funding to under-funded capital improvement projects.

Given that the current Capital Program Phases I - III funding shortfall is $589,125,057, formalizing the Department's capital improvement project evaluation and selection criteria to best determine, as funding becomes available, which capital improvement projects should move forward would allow the Department to maximize the value of that funding in terms of achieving pre-determined priorities for the recreation and park system as a whole.

A comprehensive plan for citywide renovation projects would prevent deferred maintenance and the ultimately more expensive renovation or replacement projects which are caused by deferred maintenance. Ideally, a comprehensive plan for citywide renovation projects would reduce the need for capital programs, such as the current one, which are driven primarily by the cumulative deferred maintenance needs of the recreation and park system as a whole rather than by, for example, a desire to address proactively the City's changing recreation and park needs.

Both the Urban Forestry and the Natural Areas Programs should be incorporated into the Capital Plan given their political significance and the significant resources associated with each program.

The housing of City administrative staff in seismically unsafe buildings represents a significant liability to the City, particularly given how long the Department has known about the seismic deficiencies of certain buildings.

17. The Capital Program's Funding Sources

- The funding sources for the Capital Program Phase I's current total appropriation of $552,542,471 comprise (a) 22.9 percent from the General Fund, the Open Space Fund, Downtown Park Funds, and other departments' funds, (b) 57.3 percent from bonds, (c) 16.0 percent from grants, and (d) 3.8 percent from gifts.

- The Capital Program has never been fully funded. The projected Capital Program Phases I - III shortfall is $589,125,057. In order to fund the Capital Program Phases I - III fully, the Department will need to consider the full range of funding options, including: (a) new general obligation and/or lease revenue bonds, (b) increasing its revenues from competitive grants and philanthropic gifts, (c) public/private partnerships, (d) public sector partnerships with agencies which have overlapping needs and facilities, (e) small business and corporate sponsorship, (f) special voter-approved tax assessments and expansion of downtown park funds, and (g) increased revenue generation from renovated, rebuilt, and new facilities.

- To date, the Department has not developed an overarching plan to increase its funding from grant and philanthropic gift sources. However, the Department has hired a grant writer, is planning to hire a Director of Partnerships and Property Management, and works closely with the Parks Trust. While the Department has applied for $14.7 million in competitive grant funds which it was not successful in winning, the Department has had considerable success in obtaining grant funds for its Capital Program Phase I of $88,385,102 to date. The Department needs to continue focusing on submitting well-supported grant applications to all possible grant funding agencies. The Department has funded only a modest portion of its Capital Program Phase I from gift funds. The Department needs to canvas as wide a pool of donors as possible, particularly for those projects where Department facilities will also be venues for social services delivered by other agencies with different mandates and, therefore, different potential donor pools.

- Going forward, the Department also needs to develop, and win political support for, ongoing funding mechanisms to support (a) its own ongoing capital asset maintenance obligations, (b) its ongoing capital asset maintenance obligations related to other organizations' capital programs, and (c) its future facility replacement program. Ongoing funding mechanisms to support the Department's capital assets and other organizations' capital assets located on Department property are essential to (a) maintain the assets' value, (b) prevent deferred maintenance backlogs which could result in major capital programs in the future, and (c) encourage ongoing philanthropic gifts.

Current Capital Program Phase I Funding

Table 18.1 below summarizes the status of the Capital Program Phase I as of August 31, 2005, based on the *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*, prepared by the Department. The Capital Program Phase I currently comprises 221 projects with a total appropriation of $552,542,471. However, the total current appropriation of $552,542,471 is $36,125,057 or approximately 6.1 percent less than the Department's total revised estimated cost of $588,667,528 for the 221 projects.

Table 17.1

Current Status of the Capital Program Phase I as of August 31, 2005

Project Category	Total Appropriation	Actual $ Reserved, Expended, or Encumbered	Available Balance	Revised Estimated Cost	Current Appropriation Surplus / (Deficit)
Completed, Closed Out, or Cancelled (70 projects)	$105,097,785	$98,399,570	$6,698,215	$101,906,006	$3,191,779
Active (49 projects)	146,968,968	59,133,597	87,835,371	169,401,431	(22,432,463)
On hold, Rescheduled, or Planning Phase (17 projects)	1,968,952	266,633	1,702,319	1,603,001	365,951
Citywide, Master Accounts, Unallocated Funds (12 projects)	15,439,330	15,210,330	229,000	12,772,149	2,667,181
Other (4 projects)	4,174,609	2,886,232	1,288,377	26,992,000	(22,817,391)
Golden Gate Park (35 projects)	188,348,586	46,623,738	141,724,848	192,717,401	(4,368,815)
Zoo (1 project)	53,093,705	43,089,615	10,004,090	51,840,462	1,253,243
Majority Open Space Funded Projects					
Property Acquisitions (12 projects)	9,509,949	9,402,852	107,097	9,536,263	(26,314)
Contingency (2 projects)	6,083,592	29,852	6,053,740	5,093,592	990,000
Various Citywide Projects (19 projects)	21,856,995	14,370,879	7,486,116	16,805,223	5,051,772
TOTAL (221 projects):	**$552,542,471**	**$289,413,298**	**$263,129,173**	**$588,667,528**	**($36,125,057)**

Source: Recreation and Park Department Capital Division, *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*

Table 17.2 below summarizes the funding sources for the Capital Program Phase I's current total appropriation of $552,542,471. Table 17.2 shows that (a) 22.9 percent of the total appropriation is funded by the General Fund, the Open Space Fund, Downtown Park Funds, and other departments' funds, (b) 57.3 percent is funded by bonds, (c) 16.0 percent is funded by grants, and (d) 3.8 percent is funded by gifts.

Table 17.2

Funding Sources for the Capital Program Phase I's Total Appropriation, as of August 31, 2005

Funding Source	Current Allocation	Percentage
Open Space Fund	$84,751,071	15.3%
2000 Neighborhood Park Bonds	112,314,675	20.3%
Revenue Bond Funds	27,005,000	4.9%
Grant Funds	88,385,102	16.0%
Gift Funds	21,059,894	3.8%
Total 1987, 1992, 1995, 1997, and 2000 Bond Funds	177,322,662	32.1%
Downtown Park Funds	7,107,500	1.3%
Other Departments' Funds	9,261,940	1.7%
General Fund	25,334,627	4.6%
TOTAL:	**$552,542,471**	**100.0%**

Source: Recreation and Park Department Capital Division, RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005

The funding source breakdowns for (a) completed, closed out, or cancelled projects, (b) active projects, (c) on hold, rescheduled, and planning phase projects, (d) citywide and master account projects, (e) other projects, and (f) Golden Gate Park projects are detailed below.

Completed, Closed Out, or Cancelled Projects

Based on the *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*, 70 capital improvement projects were completed (49 projects), closed out (19 projects), or cancelled (two projects) by August 31, 2005. (These figures exclude completed and closed out Golden Gate Park capital improvement projects which are discussed as a separate category below.)

The funding sources for the total appropriation of $105,097,785 for the 70 completed, closed out, or cancelled capital improvement projects are shown in Table 17.3 below. The amount of $105,097,785 represents $6,698,215 or approximately 6.6 percent more than the $98,399,570 actually reserved, expended, or encumbered on the 70 completed, closed out, or cancelled capital improvement projects.

Table 17.3

Funding Sources for the 70 Completed, Closed Out, or Cancelled Capital Improvement Projects

Funding Source	Appropriation for the 46 Projects Identified in 98-99 Assessment	% of Appropriation	Appropriation for the 24 Projects Not Identified in 98-99 Assessment	% of Appropriation	Appropriation for All 70 Projects	% of Appropriation
Open Space Fund	$27,763,745	35.7%	$12,624,825	46.1%	$40,388,570	38.4%
2000 Neighborhood Park Bonds	22,620,341	29.1%	4,018,778	14.7%	26,639,119	25.4%
1987 Park Bonds	2,388,709	3.1%	1,382,596	5.1%	3,771,305	3.6%
General Fund	5,334,226	6.9%	1,402,035	5.1%	6,736,261	6.4%
Other Departments' Funds	3,627,432	4.7%	331,586	1.2%	3,959,018	3.8%
Total Downtown Park Funds	0	0.0%	3,823,656	14.0%	3,823,656	3.6%
Grant Funds	14,004,989	18.0%	3,790,531	13.8%	17,795,520	16.9%
Gift Funds	1,984,336	2.5%	0	0.0%	1,984,336	1.9%
Total Appropriation:	**$77,723,778**	**100.0%**	**$27,374,007**	**100.0%**	**$105,097,785**	**100.0%**

Source: Recreation and Park Department Capital Division, *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*

The largest individual source of funds was the Open Space Fund which contributed $40,388,570 or approximately 38.4 percent of the total appropriation. The General Fund, other departments' special funds, and the downtown park funds[1] contributed $14,518,935 or approximately 13.8 percent of the total appropriation. The 1987 Park Bonds and the 2000 Neighborhood Park Bonds contributed $30,410,424 or approximately 29.0 percent of the total appropriation. The Department advises that 1987 Park Bonds were still available for expenditure after 2000, 13 years after their issuance, because the projects funded by those bonds took longer to complete than originally planned due to design, bidding, and construction issues. The Department of Public Works is currently in the process of closing out the remaining four projects. The balance remaining after that process will be used to cover litigation costs on the Portsmouth Square project arising from the contractor's failure to construct the clubhouse as specified, which resulted in water damage to the structure. The Department anticipates that the litigation and expert witness costs incurred will be in excess of $100,000. The Department is currently consulting with the City Attorney on the City's liability.

Grant funds contributed $17,795,520 or approximately 16.9 percent, and assisted with the funding of seven projects. Gift funds contributed $1,984,336 or approximately 1.9 percent, and also assisted with the funding of 15 projects. Therefore, third party grant and gift funding only amounted to approximately 18.8 percent of the total $105,097,785 appropriation. The seven projects which received gift funds were:

- The Japantown Peace Plaza and Pagoda project (the City of San Francisco Western Addition Parking Garage Corporation's $550,000 gift[2] and the Friends of Peace Plaza's $150,000 gift, for a total gift of $700,000, jointly represented approximately 23.6 percent of the total project cost of $2,963,963).

- The Koshland Park project (the Koshland Family and San Francisco Foundation's $400,000 gift was approximately 27.6 percent of the total project cost of $1,449,697).

- The Randall Museum Grounds project (the Randall Museum Friends' $400,000 gift was approximately 20.8 percent of the total project cost of $1,920,690).

- The Pioneer Park project (the $352,000 gift of the Friends of Recreation and Park, the Pioneer Park Project, and JC Decaux was approximately 15.2 percent of the total project cost of $2,314,294).

- The Portsmouth Square Playground Clubhouse project (the $73,000 gift was approximately 3.6 percent of the total project cost of $2,023,741).

---

[1] The Downtown Park Fee, adopted in 1985, is imposed on office development projects within specific downtown "Specific Use Districts" and can be used to acquire park lands in the area. The fee is $2.00 per square foot of net new area developed.

[2] The Board of Supervisors approved the acceptance of the City of San Francisco Western Addition Parking Garage Corporation's gift of $550,000 as part of the Board of Supervisors' approval of the dissolution of that corporation and transfer of its assets and liabilities to the Japan Center Garage Corporation, which assumed responsibility for the Japan Center Garages' leases (Ordinance 244-99).

- The Helen Wills Park and Clubhouse project (the $42,336 in gifts and bequests was approximately 1.2 percent of the total project cost of $3,414,574).

- The Alamo Square Children's Play Structure project (neighborhood gifts of $17,000 represented approximately 1.3 percent of the total project cost of $1,278,016).

However, the gift fund figure of $1,984,336 is an underestimate in that it does not include six gifts donated to the Capital Program Phase I but not recorded by the City's FAMIS accounting system:

- The Stern Grove project (an up to $12 million gift-in-place from the Stern Grove Festival Association).

- The Walter Haas Playground project (an approximately $95,000 gift from the Friends of Walter Haas Playground consisting of landscape architecture services, a conceptual plan, and construction documents).

- The Visitacion Valley Greenway - Senior Park project (a $9,416 gift-in-place from the Friends of Recreation and Parks).

- The Visitacion Valley Greenway - Hans Schiller Plaza project (a $300,000 gift-in-place from the Trust for Public Land funded by a grant secured by a donor).

- The Head/Brotherhood Mini Park project (a $90,000 gift-in-pace from the San Francisco Conservation Corp funded through a Mayor's Office of Community Development grant).

- The Julius Kahn Playground project (a $750,000 gift-in-place from the Kahn family).

Active Projects

Based on the *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*, 49 capital improvement projects are currently in the planning, design, bid, or construction phases.

The funding sources for the total current appropriation of $146,968,968 for the 49 active capital improvement projects are shown in Table 17.4 below. As of August 31, 2005, $59,133,597 or approximately 40.2 percent of the total appropriation of $146,968,968 has been reserved, expended, or encumbered, leaving $87,835,371 or approximately 59.8 percent still available for project completion.

However, as shown in Table 17.1 above, based on the Department's revised total estimate of $169,401,431 for the 49 active capital improvement projects, there is a cumulative appropriation deficit of $22,432,463 for the 49 active projects. As outlined below, this is only partially offset by (a) the $6,698,215 in surplus appropriation funding for the 70 completed, closed out, or cancelled capital improvement projects, and (b) the placing of eight projects on hold, rescheduling five projects, and delaying four projects' planning phases.

Table 17.4

Funding Sources for the 49 Active Capital Improvement Projects

Funding Source	Current Appropriation for the 29 Active Projects Identified in 98-99 Assessment	% of Appropriation	Current Appropriation for the 20 Active Projects Not Identified in 98-99 Assessment	% of Appropriation	Current Appropriation for All 49 Active Projects	% of Appropriation
Open Space Fund	$8,310,059	7.0%	$1,588,272	5.6%	$9,898,331	6.7%
2000 Neighborhood Park Bonds	73,219,704	61.7%	8,809,617	31.3%	82,029,321	55.8%
Lease Revenue Bond Swap	19,764,440	16.6%	1,136,138	4.0%	20,900,578	14.2%
1987 Park Bond	0	0.0%	66,420	0.2%	66,420	0.1%
General Fund	5,997,138	5.1%	1,550,000	5.5%	7,547,138	5.1%
Other Departments' Funds	0	0.0%	1,350,000	4.8%	1,350,000	0.9%
Total Downtown Park Funds	450,000	0.4%	2,724,148	9.7%	3,174,148	2.2%
Federal and State Grant Funds	9,912,343	8.3%	5,574,020	19.8%	15,486,363	10.6%
Gift Funds	1,121,057	0.9%	5,395,612	19.1%	6,516,669	4.4%
Total Appropriation:	**$118,774,741**	**100.0%**	**$28,194,227**	**100.0%**	**$146,968,968**	**100.0%**

Source: Recreation and Park Department Capital Division, *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*

The largest individual source of funds is the 2000 Neighborhood Park Bonds, contributing $82,029,321 or approximately 55.8 percent of the total appropriation. The 1987 Park Bonds and an appropriation swap between existing Capital Program Phase I appropriations and future lease revenue bond appropriations (expected to be issued in Spring of 2006) jointly contribute $20,966,998 or 14.3 percent of the total appropriation. The General Fund, other departments' special funds, and the downtown park funds jointly contribute $12,071,286 or approximately 8.2 percent of the total appropriation. Federal and State grant funds contribute $15,486,363 or approximately 10.6 percent, while gift funds contribute $6,516,669 or approximately 4.4 percent. Therefore, $22,003,032 in third party grant and gift funding only amounts to approximately 15.0 percent of the total $146,968,968 appropriation. This is even less than the 18.8 percent achieved for the completed, closed out, or cancelled projects described above.

While grant funds contribute to 13 of the 49 active projects, gift funds contribute to just six of the 49 active projects:

- The Harding Park Clubhouse project (the $3,395,612 gift of the Stanley Langendorf Foundation, the Friends of Recreation and Parks, and Schwab One - San Francisco First Tee Program is approximately 41.3 percent of the revised estimated total project cost of $8,222,491).

- Two Palace of Fine Arts renovation projects (the non-profit Maybeck Foundation's $2,750,435 contribution[3] to this joint project with the City is approximately 13.4 percent of the revised estimated total project cost of $20,561,760).

- The Lincoln Playground project (Albertson's Market's $200,000 gift is the complete appropriation to date despite a revised estimated total project cost of $500,000).

- The Fay Park Garden project (bequests in the amount of $160,622 represent approximately 18.5 percent of the revised estimated total project cost of $866,000). The property itself was a bequest accepted by the Recreation and Park Commission in 1998.

- The Alta Plaza Park Children's Play Structure project (the Friends of Alta Plaza's $10,000 gift is approximately 1.2 percent of the revised estimated total project cost of $819,000).

On Hold, Rescheduled, or Planning Phase Projects

In May of 2004, 19 capital projects were put on hold due to a projected funding shortfall at that time of $56.14 million. In September of 2004, ten of those projects were taken off on hold status. Based on the *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*, by August 31, 2005 two of the original 19 on-hold projects had become active projects, eight capital improvement projects are currently on hold, five are being rescheduled to start later than originally planned, and four are moving, after a delay, into their planning phases.

---

[3] The contribution of $2,750,435 includes $250,435 from the Walter S. Johnson Foundation.

The longer projects are on hold, the more significant the impact of cost escalation will be on their overall costs. Construction industry cost escalation in 2004 was approximately 11 percent.

The funding sources for the total appropriation of $1,968,952 for the 17 on hold, rescheduled, or planning phase capital improvement projects[4] are the Open Space Fund ($434,123 or approximately 22.0 percent), the 1987 Park Bonds ($59,273 or approximately 3.0 percent), the 2000 Neighborhood Parks Bonds ($342,400 or approximately 17.4 percent), and the General Fund ($1,133,156 or approximately 57.6 percent). There are no grant or gift funds appropriated for the on hold, rescheduled, or planning phase capital improvement projects. As of August 31, 2005, only $266,633 of the total appropriation of $1,968,952 has been expended, leaving $1,702,319 available for project completion. However, even the eight projects listed in the *Assessment Study: 1998 - 1999* had an estimated total capital improvement project cost of $11,158,110 in FY 1998-1999. This does not include the remaining nine on hold, rescheduled, or planning phase capital improvement projects.

Golden Gate Park Projects

Based on the *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*, 35 capital improvement projects are located in Golden Gate Park.

As shown in Table 17.5 below, the largest source of funds is the 1995 Steinhart Aquarium Improvement Bonds and the 2000 California Academy of Sciences Improvement Bonds which jointly contribute $116,690,000 or approximately 61.9 percent of the total appropriation. The California Academy of Sciences rebuilding project is co-managed by the Department of Public Works and the California Academy of Sciences, with input from the Recreation and Park Department.

Residual funding available from the 1992 Golden Gate Park Bonds contributes $4,145,103 or 2.2 percent of the total appropriation. The Open Space Fund, the General Fund, and other departments' funds contribute $1,094,875 or approximately 0.6 percent of the total appropriation. State grant funds contribute $54,009,719 or approximately 28.7 percent of the total appropriation. Gift funds contribute $12,408,889 or approximately 6.6 percent of the total appropriation.

While grant funds contribute to 26 of the 35 Golden Gate Park capital projects, gift funds contribute to only six of the 35 projects:

- The completed Conservatory of Flowers project, under the fundraising leadership of the Friends of Recreation and Parks (the $9,750,000 gift was approximately 53.4 percent of the total project cost of $18,262,719).

---

[4] As of August 31, 2005.

- The Music Concourse Surface Improvements project currently under construction, due to a legislatively required contribution from the Golden Gate Park Concourse Authority (the $1,550,000 contribution is approximately 17.2 percent of the revised total estimated project cost of $9,030,000).

- The Fuhrman Bequest ($499,000). This funding, along with State Proposition 40 funding, will fund 28 Golden Gate Park projects started in FY 2004-2005. Some of these projects have been completed, with the remainder to be completed in FY 2005-2006.

- The Murphy Windmill Restoration project currently under construction (the Friends of Recreation and Parks' $389,889 gift is approximately 10.7 percent of the revised total estimated project cost of $3,635,800).

- The completed County Fair Building project (the Strybing Arboretum Society's $233,299 gift was approximately 7.2 percent of the total project cost of $3,244,321).

- The Strybing Arboretum project currently under construction (the Strybing Arboretum Society's $6,701 gift is approximately 0.2 percent of the total estimated project cost of $3,006,701).

Table 17.5

Funding Sources for the Current Appropriation for the 35 Golden Gate Park Capital Improvement Projects

Funding Source	Current Appropriation Amount	% of Total Appropriation
Open Space Fund	$94,541	0.0%
1992 Golden Gate Park Bonds	4,145,103	2.2%
1995 Steinhart Aquarium Improvement Bonds and 2000 California Academy of Sciences Improvement Bonds	116,690,000	61.9%
General Fund	882,963	0.5%
Other Departments' Funds	117,371	0.1%
State Grant Funds	54,009,719	28.7%
Gift Funds	12,408,889	6.6%
TOTAL:	**$188,348,586**	**100.0%**

Source: Recreation and Park Department Capital Division, *RPD Capital Improvement Monthly Expenditure Report as of August 31, 2005*

Unfunded Projects

As shown in Table 17.1 above, the Capital Program Phase I currently consists of 221 projects with a revised total estimated cost of $588,667,528, or $36,125,057 more than the current appropriation of $552,542,471. The Department's current policy to address this $36,125,057 shortfall is to pursue grants and philanthropic gifts, while reducing the scope of all active projects.

Capital Program Phase II and Phase III specify 229 projects to be performed at 154 sites at an estimated cost of an additional $553,000,000. These projects have been prioritized, but no schedule has been set. The Department's current policy is to refrain from initiating any new projects until all current projects are fully funded. The Department currently does not have a plan for funding Phase II and Phase III.

Therefore, based on the $36,125,057 deficit for the Capital Program Phase I projects and a $553,000,000 shortfall for the 229 Phase II and Phase III projects, the Department currently faces a total Capital Program funding shortfall of $589,125,057.

Capital Program Funding Sources

In 1947, voters approved bonds in the amount of $12,000,000 for neighborhood parks. No further bonds were approved for neighborhood parks until the 2000 Neighborhood Park Facilities Improvement General Obligation Bonds, a gap of 53 years. However, during that time period there were a number of bond measures for Golden Gate Park, including the 1977 Park Department Irrigation Bonds ($9,270,000), the 1987 Recreation and Park Bonds ($18,000,000), and the 1992 Golden Gate Park Bonds ($76,300,000). During that time period other bond measures failed, including the proposed 1968 Recreation and Park Bonds ($14,885,000), the proposed 1968 Bayview-Hunters Point Bonds ($6,245,000), and the proposed 1969 Recreation and Park Bonds ($9,998,000).

Current Capital Program Funding Sources

The current Capital Program was designed to combine multiple funding sources. The $400 million cost estimate of the Department's initial Capital Program, which has never been fully funded, anticipated funding from the following sources:

- Open Space Fund ($120 million). The Department originally estimated a contribution from the Open Space Fund of $12 million per year. However, the average contribution since FY 2000-2001 has been only $6.36 million due to (a) changes in the economy, and (b) redirection of Open Space Fund monies to the Department's operating needs. The Open Space Fund is discussed in more detail in Section 5 of this management audit report.

- General obligation bonds ($110 million). Voters approved these bonds in March of 2000. All $110 million has now been appropriated, as discussed below.

- Grants ($100 million) and gifts ($40 million). In the 2004 Capital Plan, the Department advised that it had successfully secured more than $55 million in gifts, pledges, grants, and other sources, at an average of $13.8 million per year, just short of its planning goal of $14 million per year. However, as noted above, grant and gift funding only contributed 18.8 percent of the total costs of the 70 completed, closed out, or cancelled projects (excluding the six additional gifts listed above), and 15.0 percent of the 49 active projects. Due to significant State grant funding of the Golden Gate Park projects, grant and gift funds have contributed a more significant 30.6 percent of the funding required for the 35 Golden Gate Park projects. To date, the Department has applied for $14.7 million in competitive grant funds which it was not successful in winning.[5]

- Revenue bonds ($30 million). The Department anticipates issuing these in January of 2006.

2000 Neighborhood Park Facilities Improvement General Obligation Bonds

The 2000 Neighborhood Park Facilities Improvement General Obligation Bonds, in the amount of $110 million, were sold incrementally, as shown in Table 17.6 below:

Table 17.6

2000 Neighborhood Park Facilities Improvement General Obligation Bonds Sale History

Sale	Appropriation Date	Amount
1st Sale	June 14, 2000	$6,180,000
2nd Sale	January 7, 2001	14,060,000
3rd Sale	June 25, 2003	10,360,000
4th Sale	June 25, 2003	10,600,000
Interest Appropriation	June 25, 2003	960,000
5th Sale	October 28, 2004	68,800,000
Total Bond Sales:		$110,960,000

Source: Recreation and Park Department

The Budget Analyst questioned why all of the 2000 Neighborhood Park Facilities Improvement General Obligation Bonds had already been sold despite an available appropriation of $263,129,173 for the Capital Program (as shown in Table 17.1 above) and asked if the unexpended bonds have incurred interest costs. In response , the Department advised that the Department had determined, after evaluating the project timelines, that a single bond sale would be best because all bond funds would be encumbered well within the 36 month period in which interest earnings are permissible from unexpended bonds. The Department advised that, to date, no interest costs have been incurred, only interest earnings.

---

[5] Recreation and Park Department, *Program Management Report: Capital Improvement Plan - Expenditures Through May 31, 2005.*

Options for Future Funding Sources

As noted previously, the Department's Capital Program has never been fully funded. Based on the $36,125,057 deficit for the Capital Program Phase I projects and a $553,000,000 shortfall for the 229 Phase II and Phase III projects, the Department currently faces a total Capital Program funding shortfall of $589,125,057.

In order to fund the Capital Program fully, the Department is going to need to obtain revenue from a variety of funding sources. Projects will continue to be composites of multiple funding sources. Development of innovative ways of raising funds, in addition to expanding more traditional funding avenues, will be a key responsibility of the Department's new Director of Partnerships and Property Management position.

The future mix of Capital Program funding sources could include:

- New general obligation and/or lease revenue bonds. In its *Capital Plan - 2004 Annual Update,*[6] the Department stated that it is "hopeful of the [City's] adoption of a long-term, multi-year schedule of general obligation bond proposals, to address the capital improvement needs of General Fund supported departments, including the Recreation and Park Department." Given the lead time required to put general obligation bond proposals before the voters, the Department needs to be planning for such bonds now. To this end, the Department is working with the City Administrator's Office on developing (a) the Recreation and Park Department component of a city-wide capital asset inventory and capital improvement plan currently under development, and (b) a proposal for a future parks bond.

- Competitive grants. To date, the Department has not developed an overarching plan or strategy to increase its funding from grant sources. However, the Department has hired a grant writer to focus on researching and securing grant opportunities for the Department's programs, and to work with the San Francisco Parks Trust to assist with and coordinate grant applications.

- Philanthropic gifts. To date, the Department has not developed an overarching plan or strategy to increase its funding from philanthropic sources. The Department works with the San Francisco Parks Trust which was established to aid the Department in securing outside resources for park system improvements, both capital and programming. Further, the Department intends to hire into a new Director of

---

[6] Recreation and Park Department, Capital Improvement Division, *Capital Plan - 2004 Annual Update* (March, 2005), page 92.

Partnerships and Property position in the Spring of 2006 which will be responsible for developing partnerships and fostering philanthropic opportunities. The Department needs to canvas as wide a pool of donors as possible, particularly for those projects where Recreation and Park Department facilities will also be venues for social services delivered by other agencies with different mandates and, therefore, different potential donor pools. The degree to which the Department can attract more donors from a wider pool will have a direct bearing on its ability to implement its Capital Program fully. However, expansion of its donor pool will also require the Department to develop its capacity to work with the donor community, to develop mechanisms which assure donors that their investments will be well maintained (for example, through maintenance memorandums of understanding), and to develop ways of ensuring equitable distribution of capital improvement projects so that donations do not skew the Department's prioritization process (for example, through pooling a percentage of donations for use in under-served portions of the City). Innovative ways need to be developed for communities to more easily make in-kind donations of professional services, "sweat equity," materials and supplies, and land.

- Public/private partnerships, including working closely with private sector property developers and public sector development agencies. The fundraising for, and subsequent management of, the Conservatory of Flowers is an example of a public/private partnership for an existing facility. Other existing facilities which could benefit from such an approach include the Botanical Gardens at Strybing Arboretum, Camp Mather, the Marina, and the Randall Museum.

- Public sector partnerships with agencies which have overlapping needs and facilities (for example, the San Francisco Unified School District, City College, and the Public Library).

- Small business and corporate sponsorships.

- Special voter-approved tax assessments such as Landscape Assessment Districts and Community Benefit Districts (Mello-Roos districts), as used elsewhere in the Bay Area.

- Expansion of downtown park funds.

- Increased revenue generation from renovated, rebuilt, and new facilities.

Going forward, the Department also needs to develop, and win political support for, ongoing funding mechanisms to support:

- The Department's ongoing capital asset maintenance obligations, to ensure that the publicly and privately funded investments made through its Capital Program are not undermined by deferred maintenance in the future, which can also deter donors from future philanthropic giving.

- The Department's ongoing capital asset maintenance obligations related to other organizations' capital programs. For example, the Department will be responsible for maintaining the privately funded landscapes around the de Young Museum, the California Academy of Sciences, and the Music Concourse.
- The Department's future facility replacement program given the varying useful lives of different types of facilities. For example, swimming pools have a different life span to clubhouses.

Conclusions

The Capital Program has never been fully funded. The projected Capital Program Phases I - III shortfall is $589,125,057. In order to fund the Capital Program Phases I - III fully, the Department will need to consider the full range of funding options, including: (a) new general obligation and/or lease revenue bonds, (b) increasing its revenues from competitive grants and philanthropic gifts, (c) public/private partnerships, (d) public sector partnerships with agencies which have overlapping needs and facilities, (e) small business and corporate sponsorship, (f) special voter-approved tax assessments and expansion of downtown park funds, and (g) increased revenue generation from renovated, rebuilt, and new facilities.

Going forward, the Department also needs to develop, and win political support for, ongoing funding mechanisms to support (a) its own ongoing capital asset maintenance obligations, (b) its ongoing capital asset maintenance obligations related to other organizations' capital programs, and (c) its future facility replacement program.

Recommendations

The Recreation and Park Commission and the Recreation and Park Department General Manager should:

17.1 Consider the full range of funding options for the Department's Capital Program, including: (a) new general obligation and/or lease revenue bonds, (b) increasing the Department's revenues from competitive grants and philanthropic gifts, (c) public/private partnerships, (d) public sector partnerships with agencies which have overlapping needs and facilities, (e) small business and corporate sponsorship, (f) special voter-approved tax assessments and expansion of downtown park funds, and (g) increased revenue generation from renovated, rebuilt, and new facilities.

17.2 Develop an overarching plan to increase Capital Program funding from grant and philanthropic gift sources.

17.3 Focus on submitting well-supported grant applications to all possible grant funding agencies and canvassing as wide a pool of donors as possible, particularly for those projects where Department facilities will also be venues for social services delivered by other agencies with different mandates and, therefore, different potential donor pools.

17.4 Develop the Department's capacity to work with the donor community, to develop mechanisms which assure donors that their investments will be well maintained, to develop ways of ensuring equitable distribution of capital improvement projects so that donations do not skew the Department's prioritization process, and to develop innovative ways for communities to more easily make in-kind donations of professional services, "sweat equity," materials and supplies, and land.

17.5 Develop ongoing funding mechanisms to support of (a) the Department's own ongoing capital asset maintenance obligations, (b) the Department's ongoing capital asset maintenance obligations related to other organizations' capital programs, and (c) the Department's future facility replacement program.

Costs and Benefits

Based on the $36,125,057 deficit for the Capital Program Phase I projects and the additional $553,000,000 estimated cost of 229 Phase II and Phase III projects, the Department currently faces a total Capital Program funding shortfall of $589,125,057. A funding shortfall of this magnitude will require the Department to consider all available funding options, with a particular focus on outreach to potential granting agencies and philanthropic donors. Such an approach would enable the Department to obtain revenue from as wide a variety of funding sources as possible.

Ongoing funding mechanisms to support the Department's capital assets and other organizations' capital assets located on Department property are essential to (a) maintain the assets' value, (b) prevent deferred maintenance backlogs which could result in major capital programs in the future, and (c) encourage ongoing philanthropic gifts.

18. Monitoring Capital Project Budgets

- **The Recreation and Park Department Capital Division lacks adequate standards for monitoring capital project budgets or closing out completed capital projects. Capital Division project directors vary widely in the processes they use to track and document capital project costs.**

- **The Capital Division submits monthly financial reports to the General Manager, the Recreation and Park Commission, and the Parks, Recreation, and Open Space Advisory Committee. However, the project directors' reporting and documentation of capital project costs do not reconcile with the Capital Division's monthly financial reports. The Recreation and Park Department needs to set up standard protocols for all project directors that (a) clearly define the responsibilities of Recreation and Park Department project directors in managing capital project budgets, including construction budgets under the management of the Department of Public Works project managers, and (b) set standards for tracking and documenting actual project costs against project budgets.**

- **The Capital Division also lacks clear procedures for closing out capital projects once they are completed. According to a report provided by the Capital Division, 67 park and recreation facility capital projects have been completed but have not yet been closed out as of October of 2005. On average, these 67 projects had been completed or open to the public for 24 months, and had a net balance of $2.2 million, which could be re-allocated to other projects. The Recreation and Park Department should establish clear guidelines to close out the construction phase of capital projects and to close out capital projects in the City's financial system, FAMIS, to ensure that unexpended project balances are available to be re-allocated.**

The Recreation and Park Department established a Capital Division after the voters approved Proposition A in March 2000, authorizing $110 million in General Obligation bonds for a major Recreation and Park Department capital improvement program. Generally, Recreation and Park Department staff plan and design the Department's capital projects and Department of Public Works staff manage the construction projects.

Priorities and funding for capital projects are determined through the capital planning process. Each project has a spending plan, set up in an Excel spreadsheet, based on the flow of funds for the project. The Recreation and Park Department also has an in-house project management database, called RECAP, which includes project status, milestones, and other components of project management. The RECAP system's link to the City's general ledger system, FAMIS, and the Department's facility data system are still in development.

The Recreation and Park Commission, General Manager, and Parks, Recreation, and Open Space Advisory Committee receive monthly financial reports on the status of capital projects. These financial reports are also posted on the Department's web site.

Monitoring Capital Project Budgets

Prior to 2004 the Recreation and Park Department requested project appropriation for capital projects based on broad project categories, such as "neighborhood parks" or "Golden Gate Park." Beginning in 2004, the Board of Supervisors mandated that capital project funds be appropriated and controlled at the facility level, such as "North Beach Playground" or "Sava Pool." The Recreation and Park Department set up unique index codes for each of the facility level projects which received funding in calendar years 2004 and 2005. Consequently, capital project appropriations can only be spent on the specific facility project. Unexpended project appropriations for project appropriations in calendar year 2004 and after must be re-appropriated by the Board of Supervisors. However, unexpended project appropriations prior to 2004, which were appropriated at the broad categorical level, can be re-allocated by the General Manager and Director of the Capital Division.

Capital Project Budgeting and Expenditure Tracking and Reporting

The Recreation and Park Department's Capital Division policies and procedures are in draft form. Many of the Department's procedures have been incorporated from the Department of Public Works, and cover capital budget and expenditure tracking and reporting, cost allocation, project time tracking, and other project budget and accounting procedures.

Because the Department of Public Works manages actual construction projects on behalf of the Recreation and Park Department, the Recreation and Park Department transfers project funds to the Department of Public Works, which uses its own project management system to track and monitor construction projects. However, Recreation and Park Department Capital Division staff continue to have responsibility for the projects and costs. Recreation and Park Department staff attend construction management meetings and receive information about contract change orders and overall costs of the project. The Department of Public Works provides regular reports to the Recreation and Park Department that includes tracking of hard (construction) and soft (planning, design, and administrative) costs.

The Recreation and Park Department's standard procedures for monitoring and tracking project expenditures against capital project budgets are inadequate to capture expenditure details. Tracking and monitoring of capital project hard and soft costs against a budget should be occurring in a routine and standardized way in order to control project costs, identify and resolve issues early on, and to ensure timely close out of projects. Recreation and Park Department project directors do not have a standard approach to tracking and monitoring project costs, resulting in wide variability in project cost tracking and reporting.

A review of three completed capital projects - Helen Wills Park and Clubhouse, North Beach Pool and Clubhouse, and West Portal Playground and Clubhouse – found that documentation of project tracking and monitoring ranged from detailed to very limited documentation. While much of the responsibility for tracking and monitoring project costs has been shifted to the Department of Public Works which directly incurs the bulk of the administrative, planning and design (i.e. "soft") costs and which also manages any related construction and professional service contracts related to a project, the Department of Recreation and Parks is ultimately responsible for the project and the related funding, and should be providing oversight for the Department of Public Works activities.

The Recreation and Park Department needs to set up standard protocols for all project directors that (a) clearly define the responsibilities of Recreation and Park Department project directors in managing capital project budgets, including construction budgets under the management of the Department of Public Works project managers, and (b) set standards for tracking and documenting actual project costs against project budgets.

Monthly Financial Reporting

The Department's Capital Division does produce high level monthly reports of project status, total budget, expenditures, and funding to date, which are submitted to the Recreation and Park Commission, General Manager, and Parks, Open Space and Recreation Advisory Committee and posted on the Department's web site. However, the project budget and expenditure reports for Helen Wills Park and Clubhouse, North Beach Pool and Clubhouse, and West Portal Playground and Clubhouse did not match the information contained in the August 2005 monthly report. Further, these reports are at such a high level that they are not useful for individual project management purposes.

Closing Out Completed Capital Projects

The Recreation and Park Department incorporates the Department of Public Works' procedures to close out capital projects that have been completed. Recreation and Park Department project directors work with Department of Public Works project managers to close out projects.

The Recreation and Park Department does not have rigorous procedures for closing out capital projects once they have been completed, identifying unexpended capital project balances, and requesting re-appropriation of the unexpended balances. A project is considered substantially completed once the newly constructed or renovated facility is available for occupation and the facilities systems, such as fire alarm and sprinkler systems, are operating. The Department of Public Works Bureau of Construction Management completes a punch list of final adjustments, such as touch up paint and minor repairs, and makes the final payment to the contractor. In one interview, the Department of Public Works project manager said that, if project monies were unspent at the construction project, the project might be extended to include additional work, such as resurfacing ball courts. According to interviews with several Department of Public Works and Recreation and Park Department staff, although the construction phase of the project may be closed and the contractor paid, the actual project close-out, in which the account is closed in FAMIS and the remaining balance accounted for, does not necessarily happen. As part of the project close-out, the project director should review remaining project balances in the Department of Public Works accounts and ensure that remaining balances are returned to the Recreation and Park Department.

According to a report provided by the Recreation and Park Department Capital Division, in October of 2005 67 park and recreation facility capital projects had been completed or opened to the public but were not yet closed out. On average these 67 projects had been completed or opened to the public for 24 months, with a net unexpended balance of $2.2 million, which could be re-allocated to other projects.

Projects are not closed out in a timely manner for a number of reasons. For example, the North Beach Community Pool was substantially complete and open to the public on May 21, 2005, but the construction project has not yet been closed out because items on the punch list were not completed satisfactorily. The Helen Wills Playground opened in 2004 but the project has not yet been closed out because of a dispute on whether the contractor met the City's labor standards provisions, requiring the payment of prevailing wage rates to the contractor's or subcontractors' employees. The West Portal Playground also opened in November 2004, but has not yet closed out due to punch list items needing repair and a claim by the contractor against the City for certain aspects of the work.

The Recreation and Park Department needs to establish clear guidelines for closing out the construction phase of capital projects and closing out capital projects in FAMIS. The Director of the Capital Program should routinely review the status of project close out and ensure that the Recreation and Park Department project directors are working with the Department of Public Works project managers to close out completed capital projects.

The Recreation and Park Department Capital Program reports the status of capital projects to the Recreation and Park Commission, General Manager, and Parks, Open Space and Recreation Advisory Committee monthly, but the data contained in the financial reports is inaccurate. The Director of the Capital Program should establish procedures to reconcile the monthly financial reports with the City's general ledger system, FAMIS, to ensure that reported project balances are accurate. The General Manager should provide a detailed report to the Board of Supervisors, no later than March 31, 2006, showing (a) all completed capital projects, (b) the date of substantial completion, (c) the date that the project was closed out, (d) reasons for not closing out the project, if applicable, and (e) the amount of unexpended balances. The General Manager should identify available unexpended balances and present these funds to the Board of Supervisors for reappropriation to unfunded capital projects.

Conclusions

The Recreation and Park Department Capital Division's procedures for monitoring and closing out capital project budgets are inadequate. The Capital Division needs to develop more rigorous guidelines for monitoring capital project budgets and closing out capital projects. The Capital Division also needs to present updated and accurate monthly financial reports to the General Manager, the Recreation and Park Commission, the Parks, Recreation, and Open Space Advisory Committee, and to ensure that the Department's capital project system reconciles with the City's general ledger system, FAMIS.

Recommendations

The Recreation and Park Department General Manager should:

18.1 Provide a detailed report to the Board of Supervisors, no later than March 31, 2006, showing (a) all completed capital projects, (b) the date of substantial completion, (c) the date that the project was closed out, (d) the reasons for not closing out the project, if applicable, and (e) the amount of unexpended balances.

18.2 Identify available unexpended balances and present these funds to the Board of Supervisors for reappropriation to unfunded capital projects.

The Director of the Capital Division should:

18.3 Set up standard protocols for all project directors that (a) clearly define the responsibilities of Recreation and Park Department project directors in managing capital project budgets, including construction budgets under the management of the Department of Public Works project managers, and (b) set standards for tracking and documenting actual project costs against project budgets.

18.4 Establish clear guidelines for closing out the construction phase of capital projects and closing out capital projects in the City's general ledger system, FAMIS.

18.5 Routinely review the status of project close out and ensure that the Recreation and Park Department project directors are working with the Department of Public Works project managers to close out completed capital projects.

18.6 Establish procedures to reconcile the monthly financial reports with the City's general ledger system, FAMIS, to ensure that reported project balances are accurate.

Costs and Benefits

The Recreation and Park Department has unexpended balances for completed capital projects that should be available for re-appropriation. Although the Recreation and Park Department's August 2005 financial report shows that the 74 completed capital projects reviewed by the Budget Analyst have total unexpended balances of $7.2 million, the actual unexpended and available balances are probably significantly less. If the Recreation and Park Department accepts the Budget Analyst's recommendation to close out completed capital projects and reconcile project balances in FAMIS, the Recreation and Park Department will then be able to identify funds available for reappropriation.

APPENDIX: Chronology of Recreation and Park Capital Improvements Since 1990

Over the past 15 years there has been intense scrutiny of the Department's capital assets, and numerous publicly and privately funded capital improvements to those capital assets and to capital assets operated by other entities which are located in the City's parks.

1990 - 1999: Capital Improvements Predating the *Assessment Study: 1998-1999*

Between 1990 and 1998, there were a number of recreation and park related initiatives which preceded the *Assessment Study: 1998-1999.* These initiatives included the following:

- In September of 1990, the Department conducted a Park Accessibility and Feasibility Survey Report, Volumes I - III.

- In September of 1991, ground was broken on what has since become the National AIDS Grove memorial in Golden Gate Park, funded by a public-private partnership.[1]

- In 1992, a $76 million bond measure to renovate Golden Gate Park's infrastructure was passed by 73 percent of voters who simultaneously rejected three other bond measures to revitalize Civic Center Plaza and several City department buildings. Of the $76 million, a remaining balance of only $2,796,984 is currently appropriated for seven Golden Gate Park capital improvement projects.[2] The bond funds were designed to finance needed repairs for which private donors were unlikely to contribute. Therefore the funds were used to fix underground irrigation, sewage, and electrical systems, to repair leaking lake bottoms, to rebuild damaged structures, and to plant new trees.

- In 1995, the Department issued a master plan for Golden Gate Park which proposed creating a non-profit philanthropic conservancy to assist the City in operating and funding the park. This report called such a conservancy as the "critical difference between simply maintaining the park and managing it as a first-class institution."[3] The master plan's subsequent environmental impact review did not address the needs of the de Young Museum and the California Academy of Sciences located in Golden

---

[1] While the National AIDS Grove is privately funded, the City provides a full-time gardener under a 99-year memorandum of understanding between the National AIDS Grove Foundation and the Recreation and Park Department. In 1996, Congress officially designated the grove as the United States' first national AIDS memorial.

[2] Of these seven projects, four are in the construction phase, one is in the design phase, one is currently in no phase, and one is on hold.

[3] The public-private partnership model is the Central Park Conservancy which is an alliance between New York City and a non-profit philanthropic group.

Gate Park although proposals to close park roads and entrances would have restricted access to both those institutions.

- In June of 1995, the Mayor proposed a citywide assessment district to fund City park and playground upgrades before withdrawing support due to public concern about new taxes.

- In November of 1995, voters approved a $29,245,000 General Obligation Bond measure for improvements to the Steinhart Aquarium at the California Academy of Sciences. These bonds were finally issued in June of 2005.[4]

- Between 1995 and 1999, Coleman Advocates for Children gave the City's parks and recreation centers overall grades of between C- and C+ which drew media attention to the recreation and park facilities which received the lowest grades from Coleman Advocates for Children.

- In 1996, the Department prepared an Inventory of Restroom Facilities, a Fencing Renovation Assessment, an Irrigation Improvements Study, a Court Resurfacing Guide, and a Playground Renovations Report.

- On November 5, 1996, voters narrowly rejected Proposition B which would have fully funded the then estimated $73.3 million reconstruction of the de Young Museum through general obligation bonds. This was the de Young Museum's first attempt to secure voter-approved bond funding to rebuild its seismically unsafe structure.

- In December of 1996, the Department issued a *Capital Projects Funding Needs Assessment* which highlighted the deteriorated condition of the Department's facilities and funding deficiencies for the required capital improvements. This report was updated in August of 1997.

- On December 31, 1996, the Beach Chalet was reopened after a 15-year closure as a restaurant and as the park's first visitor center and gift shop. This capital improvement was part of a $6.7 million partnership project between the Department and the Friends of Recreation and Parks (now known as the Parks Trust) to revitalize

---

[4] In preparing his May 12, 2005 report on the proposed resolution to issue the Steinhart Aquarium Improvement Bonds (Files 05-0732 and 05-0733), the Budget Analyst questioned why it took ten years since voter approval in November of 1995 to request the sale of those bonds. In response, the California Academy of Sciences' Chief Financial Officer responded that:

> "Work on the architectural plans was suspended in January 1997 when it was suggested that both the Academy and the de Young Museum consider locating outside of Golden Gate Park. After City officials reaffirmed their commitment to keeping both institutions in the Park, the project was expanded to include a major reconstruction of all the Academy buildings due to the general deterioration because of the age and inadequacy of the space to meet the future needs of the research collections and education programs. After a second bond request was approved by the voters in 2000, planning for a new facility was restarted."

The Budget Analyst found the above explanation for the delay reasonable.

50 acres of the western end of Golden Gate Park. The $2.5 million Beach Chalet renovation used City, Federal, and private funds.

- In June of 1997, voters approved $48 million in 1997 Zoo Facilities Improvement Bonds for the acquisition, construction, and/or reconstruction of San Francisco Zoo facilities and properties.[5] This bond measure is part of the Zoo's $89.7 million Phase II Master Plan Program, funded by multiple funding sources and managed through a cooperative agreement between the Department, the San Francisco Zoological Society, and the Department of Public Works. Completion of the Phase II Master Plan Program is due in July of 2008. The funding sources are (a) the $48 million 1997 Zoo Facilities Improvement Bonds, plus a further $4.8 million in bond proceeds and interest, (b) $1.7 million in 1990 Earthquake Safety Program Bond proceeds and interest, and (c) $35.2 million in San Francisco Zoological Society capital funding. The Budget Analyst issued a *Performance Audit of the San Francisco Zoo* in January of 2000 which recommended, in relation to the Zoo's capital improvement projects, that the Zoological Society reduce the soft costs for program management, Zoological Society administration, and Department of Public Works construction management. The performance audit also recommended reduction of design fee costs and Public Art Program fees, and the modification of certain projects to reduce construction costs. The performance audit recommended applying the resulting cost savings to projects' construction contingencies and the Management Reserve Account.

- In July of 1997, following an arson attack on a homeless encampment in Golden Gate Park, the *San Francisco Chronicle* ran a high profile series on the deteriorated state of Golden Gate Park entitled "The demise of Golden Gate Park" (July 28 - 30, 1997) which generated considerable political pressure to make improvements to the park. At that time, the de Young Museum's Board of Trustees had voted to move out of the park (a decision which was subsequently rescinded in 1998) and there was concern that the California Academy of Sciences would follow suit.

- In 1997, the Department issued a *Playground Renovation and Evaluation Report.*

- In May of 1998, the San Francisco Community Parks Task Force, a joint project of the Neighborhood Parks Council and the San Francisco Planning and Urban Research Association (SPUR), issued its *Parks Plan,* "a framework for action for San Francisco's parks in the next century." The *Parks Plan* advocated preparing a ten-year capital plan, developing a bond measure for capital improvements, authorizing the Department to manage its own capital construction projects, renewing the Open Space Fund, and securing other dedicated funding sources.

- On June 2, 1998, voters narrowly rejected Proposition A which would have funded $89.9 million of the then estimated $134.1 million reconstruction of the de Young Museum through general obligation bonds. This was the de Young Museum's second attempt to secure voter-approved bond funding. Subsequently, the de Young Museum funded its new museum entirely with $202 million in private money. Reasons cited by contemporary media reports, management audit interviews, and the Fine Arts Museums Board of Trustees' June 11, 1998 meeting minutes included insufficient voter support caused by opposition to museums and parking in Golden Gate Park, tenant opposition to new revenue bonds if landlords were able to pass on the costs, and voters' prioritization of a bond measure to rebuild Laguna Honda Hospital.

---

[5] The first bond series ($16,845,000) was sold in June of 1999; the second bond series ($17,440,000) was sold in May of 2000; the third bond series ($6,210,000) was sold in October of 2002; and the fourth and final bond series ($7,505,000) was sold in June of 2005.

- On June 2, 1998, voters passed Proposition J, the Golden Gate Park Revitalization Act, to improve the Music Concourse area of Golden Gate Park and reduce the impact of vehicles on the park through construction of a privately funded, 800 vehicle garage and various transit improvements. This Act established the Golden Gate Park Concourse Authority to effectuate the garage project and related transportation initiatives. In November of 2003, the Board of Supervisors approved a 35-year ground lease[6] between the City and the Music Concourse Community Partnership, a non-profit public benefit organization established in December of 2001 to finance, design, construct, and operate the Music Concourse Parking Garage under the oversight of the Golden Gate Park Concourse Authority. The parking garage was developed at the Music Concourse Community Partnership's sole cost and expense. Proposition J prohibited the expenditure of any public funds. After an extensive public consultation process and a lawsuit in 2004, the parking garage was opened in October of 2005 at a total cost of $55 million, funded by revenue bonds issued by the Music Concourse Community Partnership in 2004 and by philanthropic donations. The Music Concourse Community Partnership has also contributed $1.53 million to the City for needed restoration and improvements to the surface area of the Music Concourse resulting from construction of the parking garage. Upon termination of the City's lease with the Music Concourse Community Partnership, ownership of the Music Concourse Parking Garage and any remaining Music Concourse Community Partnership or philanthropic funds will revert in the form of a gift to the City.

- In February of 1999, the Department issued a *Park Facilities Assessment and Phasing* report.

1999 - 2005: The *Assessment Study: 1998-1999* and Subsequent Capital Improvement Initiatives

In September of 1999, the Department issued its *Assessment Study: 1998-1999* which was the product of a year long, $300,000 "Great Parks for a Great City" community consultation process jointly funded by the City and private donors. The study focused on the City's changing demographic profile, its recreation program needs, a physical assessment of its facilities, and an assessment of its future facility needs. Between

---

[6] The lease term expiration is the earlier of 35 years or 30 days following the date on which the Music Concourse Community Partnership's 2004 revenue bonds are fully redeemed in 2034. The City can terminate the lease earlier if the Music Concourse Community Partnership has sufficient funds available to repay all of the outstanding 2004 revenue bonds.

August and November of 1999, Department staff developed a draft capital plan, using information contained in the *Assessment Study:. 1998-1999* as its basis, by prioritizing capital improvement projects in terms of the Health and Safety Code, other code issues, hazardous materials, urgent need, likely funding sources, usage, visibility of improvement, Americans with Disabilities Act requirements, and the sites' historic significance. Between December of 1999 and February of 2000, the Department conducted a public consultation process which culminated in the Recreation and Park Commission approving, in March of 2000, a final ten-year Capital Plan consisting of 440 projects at 230 sites. (Subsequent revisions to the Capital Program Phases I - III have increased the total number of capital improvement projects to 450.)

On March 7, 2000, voters approved:

- $110 million in general obligation bonds for neighborhood parks (Proposition A). The ten-year Capital Program began in FY 2000-2001. The estimated cost of $400 million (1998 dollars) was not escalated to cover future year labor and material costs.[7] All of the $110 million in general obligation bonds for neighborhood parks have subsequently been allocated to capital improvement projects.

- An extension of the Park, Recreation and Open Space Fund through FY 2030-2031 which provides a dedicated revenue stream from property tax in the amount of $0.025 for each $100 in assessed valuation to help pay for park acquisition, renovation, and maintenance, and recreation and park programs (Proposition C)

- Proposition B which authorized $87.4 million in general obligation bonds for rebuilding the California Academy of Sciences. Bonds in the amount of $8 million were sold on October of 2004 to fund demolition and abatement, design-build services, public art, permits and fees, and pre-construction costs. The balance of the bonds, in the amount of $79.4 million, were sold in May of 2005. Combined with the $29.3 million bonds approved by voters in November of 1995 for the Steinhart Aquarium, voters approved general obligation bonds in the total amount of $116.7 million for the California Academy of Sciences rebuild project.

In 2001, the Board of Supervisors authorized the Department to recruit and hire into the 14 new positions created by the FY 2000-2001 budget process for a new Capital Division. The former Planning Division of eight positions became the Capital Division with 26 positions.

Against the backdrop of these important planning, funding, and staffing developments, a number of other recreation and park initiatives took place between 2001 and 2005:

- In October of 2001, the Department completed its $9.4 million rebuild of the Martin Luther King, Jr. Pool in Bayview-Hunter's Point. The pool had been closed since

---

[7] The current Capital Program Phase I estimate is $588,667,528. Capital Program Phase II and Phase III are estimated to jointly cost an additional $553,000,000. Therefore, the total Capital Program Phases I - III cost estimate is $1,141,667,528.

1996 when pieces of the roof fell into the pool. The rebuild was funded by the Open Space Fund (circumventing the priorities set by the Citizens' Open Space Advisory Committee) and a State grant. The final cost was $3.2 million or approximately 51.6 percent more than the $6.2 million estimated at the project's commencement,[8] the pool was opened two years later than the original 1999 re-opening schedule, and there was considerable adverse community and media comment on the Department of Public Works' choice of contractors and subcontractors, and inadequate enforcement of contractor accountability.

- In July and August of 2002, the Department conducted a series of meetings, in partnership with the Park, Recreation and Open Space Advisory Committee, to update members of the public from the 11 Supervisorial districts on the progress of capital projects in their districts. The updated 2002 Capital Plan was approved by the Recreation and Park Commission at its October 17, 2002 meeting.

- On July 25, 2002, Union Square was reopened after an 18 month, $25 million refurbishment funded by revenue bonds issued by the non-profit City corporation, Uptown Garage Corporation. The project was managed by the Recreation and Park Department and the Department of Public Works.

- In February of 2003, the Board of Supervisors certified that the San Francisco Marina Small Craft East and West Harbors need renovation and reconstruction, and authorized the Recreation and Park Department General Manager to submit a loan application to the State Department of Boating and Waterways to finance the $36 million project. The State Department has approved financing for the entire project in concept, but to date has only approved loan financing for the West Harbor project ($16.5 million) due to budget limitations. The financing, Board of Supervisors consideration, and the California Environmental Quality Act review processes are all currently underway.

- In September of 2003, the Department conducted a series of meetings, in partnership with the Park, Recreation and Open Space Advisory Committee, to update members of the public from the 11 Supervisorial districts on the progress of capital projects in their districts. The updated 2003 Capital Plan was approved by the Recreation and Park Commission at its January 15, 2004 meeting. Scheduling adjustments reflected "the staffing shortage caused by the reserve of funds associated with staffing the program" and created "a more realistic level of project starts per year, appropriate to the amount of sustainable staff." [9] In 2003, the Capital Plan was linked for the first time to the Department's Property and Facility Database, and the Department began collating citywide baseline data on the Department's facilities and community-specific demographics.

---

[8] The *Assessment Study: 1998-1999* had estimated an even lower capital improvement cost for the Martin Luther King, Jr. Swimming Pool at $5,175,000.

[9] Quoted from Recreation and Park Department report, *Capital Plan 2004 Annual Update*, page 4.

- In September of 2003, the renovated Conservatory of Flowers was reopened after being closed in December of 1995 due to windstorm damage. The total renovation cost was $25 million, funded by public and private sources, including $2 million from the City and $9.75 million from the Friends of Recreation and Parks.

- In January of 2004, the Board of Supervisors approved legislation to accept and expend a $32.7 million grant from the California Clean Water, Clean Air, Safe Neighborhood Parks, and Coastal Protection Act of 2002 (Proposition 40) for 16 Golden Gate Park renovation projects. This was the largest amount of funding for Golden Gate Park since the 1992 Golden Gate Park Bond.

- In April of 2004, the Recreation and Park Commission agreed to scale back three capital improvement projects and suspend 19 capital improvement projects due to a $56 million funding shortfall.

- In April of 2004, the Department of Public Works' Capital Asset Management Division issued a draft report, *Planning for San Francisco's Future, a Draft Capital Expenditure Plan and Policy Recommendations for Capital Planning*, which determined a preliminary estimate of the Recreation and Park Department's capital improvement needs of $635 million, or $235 million or approximately 58.8 percent more than the $400 million estimate contained in the *Assessment Study: 1998-1999.* (As outlined in Section 15 of this management audit report, the latest estimates are much higher at $1,141,667,528 if all 450 proposed capital improvement projects proceed.)

- In the Summer of 2004, the Recreation and Park Commission adopted draft capital improvement project evaluation and selection criteria for use during the budget process, based on (a) input from the community, including a task force assembled by the Park, Recreation and Open Space Advisory Committee, (b) the American Planning Association's guidelines, *Capital Programs: Linking Budgeting and Planning,* and (c) the San Francisco Unified School District's bond program criteria. The intent of this process was to ensure an objective system for determining the priority order in which the 19 on hold capital improvement projects should move forward as funding is secured.

- In August of 2004, the Department published a *Recreation Assessment Report* which set a goal that "Recreation facilities will be valued as community assets by upgrading and maintaining all indoor and outdoor facilities in need of major repair over a ten-year period to create a quality user experience and positive image for the city." The report's assessment of recreation facilities cited community and staff concerns about cleanliness, outdated image, dim lighting, inadequate signage, poor restrooms, inadequate infrastructure maintenance, lack of accessibility for people with disabilities, outdated equipment, and the poor quality of game fields. In response, the report recommended the following performance measure: "Ten recreation centers will be updated annually to include painting, lighting, restrooms, deep cleaned, signage updates, landscaping, furniture, fixtures and technology equipment added to help staff at that site meet the needs of residents."

- In the Fall of 2004, the Department established its first fully funded, staffed, and autonomous Planning Division, separate from the Capital Division. The Planning Division's mission includes working closely with the Capital Division's project management, finance, and grant writing staff on establishing evaluation criteria, prioritizing projects, drafting an open space acquisition policy, contributing to community outreach initiatives, collaborating with other public sector agencies, and collecting and analyzing baseline data.

- In October of 2004, the Board of Supervisors approved lease revenue bonds in the amount of $27,005,000, payable from the Park, Recreation and Open Space Fund at $2 million per year.[10] The Recreation and Park Commission approved 11 projects to receive funds from the lease revenue bonds, nine of which were projects from the on hold list. These revenue bonds are due to be issued in January of 2006. Their sale was delayed, and a year of debt service avoided, due to (a) the FY 2004-2005 midyear budget correction caused by voter rejection of business tax propositions which discouraged the City from creating new debt repayment obligations, and (b) Board of Supervisors' approval to swap funds in 2005 from three larger projects to 11 smaller projects. Once the revenue bonds have been sold, equivalent funding will be returned to the three larger projects.

- In March of 2005, the Department's Capital Division issued its report, *Capital Plan - 2004 Annual Update.*

- In June of 2005, the renovation of the Concert Meadow at Sigmund Stern Grove was completed. A gift-in-place from the Stern Grove Festival Association to the City valued at over $12 million funded the bulk of the $15 million project.

- In August of 2005, the complete renovations of Harding and Fleming Golf Courses, their maintenance facility, and their clubhouse were completed at a cost of $23.6 million.

- By August 31, 2005, the Department had completed 49 projects, closed out 19 projects, and cancelled two projects, for a total of 70 projects in its Capital Program Phase I at a total cost of $98,090,570. The Capital Program Phase I includes capital improvement projects commenced prior to the 2000 Neighborhood Parks Improvement Bonds. A further 49 projects, with a total appropriation of

---

[10] This is the Department's first ever lease revenue bond program. Under the lease revenue bond program, the City and/or the San Francisco Finance Corporation (a California non-profit organization formed to facilitate lease financing for the City) would enter into a lease agreement. Under that lease agreement, the City would lease certain Department properties to the San Francisco Finance Corporation for $1 per year. The San Francisco Finance Corporation would then lease these properties back to the City in an amount not to exceed the Recreation and Park Commission's approved amount of $2 million per year, which would be equal to the debt service on the lease revenue bonds and would be paid from revenues in the City's Open Space Fund.

$146,968,968, were actively in their planning, design, bid, or construction phases. The Department's Capital Division, in conjunction with the Department of Public Works, had also completed or closed out eight other projects, seven of which are located in Golden Gate Park and one of which is located in Sharp Park.

- In October of 2005, the 800 space underground parking garage at the Golden Gate Park's Music Concourse opened after a $55 million privately funded investment.

- On October 15, 2005, the completely rebuilt de Young Museum reopened at its original Golden Gate Park site. The $202 million cost of the new museum building was fully funded by private sources. The de Young Museum is anticipating 1 - 1.2 million visitors annually for its first two years, followed by a steady state of 650,000 - 750,000 visitors annually thereafter.

2006 Onwards: Upcoming Capital Improvements

In the next few years, the following significant capital improvement projects are scheduled to come to fruition:

- During 2006 and 2007, renovations of the Palace of Fine Arts buildings and lagoon are scheduled to be completed. These $4.7 million projects are being jointly funded by the City (soft costs) and the non-profit Maybeck Foundation (hard costs).

- In September of 2008, the rebuilt California Academy of Sciences is scheduled to reopen in Golden Gate Park. On its reopening, Golden Gate Park will have five more acres of parkland due to (a) both the new Academy and the new de Young Museum buildings occupying smaller footprints than previously with new landscaped open areas within the former structures' larger footprints, (b) narrower roadways, and (c) less surface parking due to the transfer of 800 parking spaces to the Music Concourse's underground garage. The Academy is anticipating 1.6 million visitors in the first year, followed by a steady state of 1.3 million visitors annually thereafter.

- Reopening of the renovated Murphy Windmill at the western end of Golden Gate Park. A nonprofit group, the Campaign to Save the Windmills in Golden Gate Park, is working to raise $6.4 million for the renovation of the Murphy Windmill and adjacent millwright's house, and for improvements to the surrounding landscape. The nonprofit group is also raising funds for further repairs to the Dutch Windmill which was restored in 1981 and for improvements to the pedestrian trail connecting the two windmills. While the nonprofit group has secured full funding for the Phase 1A restoration of the Murphy Windmill cap ($1.3 million), it has yet to secure full funding for the Phase 1B restoration of the Murphy Windmill tower ($2.2 million) or the Phase 1C Landscape and Educational Component.

The Department's ongoing Capital Program will be occurring within the context of an initiative by the City Administrator's Office to develop a lifecycle model for, and a citywide inventory of, the City's capital assets to better inform the City's handling of its capital improvement needs. The Recreation and Park Department is contributing to that initiative, and to the related proposal for a future parks bond.

Recreation and Park Department Response

City and County of San Francisco
Recreation and Park Department

McLaren Lodge in Golden Gate Park
501 Stanyan Street, San Francisco, CA 94117
TEL: 415.831.2700 FAX: 415.831.2096 WEB: http://parks.sfgov.org

January 10, 2006

Mr. Harvey Rose
Board of Supervisors, Budget Analyst Office
1390 Market St., Suite 1025
San Francisco, CA 94102

Dear Mr. Rose:

This is the Recreation and Park Department's official response to your management audit concluded in November 2005. My staff and I have reviewed the recommendations. We have provided general responses in this letter for the major section and more specific responses to each recommendation in the attached document.

My new management team and I thank you for your analysis and recommendations and for noting and concurring with many of the on-going structural changes we've implemented in the last 18 months. Many of the recommendations provided us with significant additional guidance as we work with line staff to return the department to a leadership position in the field of Recreation and Parks.

Operations Division

Within the Operations Division, the management audit has correctly identified several functional areas where process improvement will result in enhanced delivery of enriching recreational activities and improved park maintenance as called for in the Department's mission statement. Accomplishment of several of the recommendations is underway per initiatives that have already commenced within the Division. The Operations Division appreciates the Budget Analyst's key findings and recommendations related to core Department functions. We are identifying the core 'lines of business' that most closely align with the Department's recreation mission. This effort will support an improved allocation of staffing resources and will sharpen the Department's focus on providing quality leisure options as recreation industry trends and neighborhood preferences change. A similar analysis of gardener tasks that are required to accomplish Proposition C park maintenance standards is already in progress and will have an equal benefit for the City's park users.

The Operations Division welcomes the findings and recommendations for better accessibility and accountability for program participation, gate admission, and event permits. The Department is already in negotiations with Active Networks to acquire the *Class* recreation management software which will greatly enhance customer access to recreation program participation as well as provide enhanced visibility and opportunity for event reservations on parklands and facilities. It will also provide accurate, real time participation rates for the Department's many recreation activities which will significantly improve our performance measurement / productivity efforts. Improved management of permits and accountability in the collection of event fees will be further addressed by restructuring the Department's fee schedule and rewriting, clarifying, and simplifying the Department's policies for permits and reservations.

The Structural Maintenance Division supports the infrastructure material needs of the entire Department and will benefit from the improved maintenance, planning, and inventory practices recommended in the management audit.

Finance and Administration Division

The findings from the management audit identify several areas within the Administration and Finance Division that require improvement. In particular, the division appreciates the Budget Analyst's findings and recommendations regarding cash handling procedures, lease management and monitoring, and communication between the division's property management and revenue units. The audit's analysis of these important functions will help the department to identify a course of corrective action. The department anticipates that solutions to the problems identified by the audit will be both short and long term in nature. The department has already begun projects that will address issues highlighted by the audit in Administration and Finance. These projects include the acquisition, development and implementation of systems such as the Class reservation system, which will reduce the amount of cash handled throughout the Recreation and Park system, and a new revenue tracking system, which will help inform both revenue and property management staff and serve as the foundation for a new lease management tracking system.

In addition to these systems, the Administration and Finance staff will use a variety of strategies to address the findings and recommendations in the audit. The audit presents an opportunity for the division to review processes and procedures and update and improve them as necessary. The department also anticipates using recommendations from the audit as a tool in the 2006-2007 budget process.

Capital Division

The findings cited within management audit for the Capital Division accurately reflects areas of concern and potential improvement for both procedural activities as well as reporting guidelines. The recommendations are not only welcome, but they provide a framework from which the desired improvements can be outlined, implemented and measured internally and by our constituents. Areas of particular concern include the formalization of the Division's project evaluation and selection criteria for determining funding availability and the forward movement of a capital project. As noted in the section entitled Next Steps in the draft copy of the 2005 Capital Plan, the Capital Division follows very clear defined guidelines such as maintaining open communication with the public and the Board of Supervisors through community representation such as the PROSAC committee with monthly meetings and building credibility by work closely with the public to identify and implement desired improvements in their parks.

Another very key area of concern is the management and tracking of capital projects overall. The Department recognizes the need for managing its projects more effectively and becoming more fiscally accountable for their outcome. To that end, the Capital Division is currently participating in the City wide facilities assessments activity for the current budget cycle and has reviewed a number of project management processes already in use by various city departments as a means of determining how best to approach the overarching need to clearly understand the condition of all of our properties and thereby be able to correctly evaluate the improvement needs – both on-going and capital, frame a capital project, manage said project to its conclusion and ultimately plan when new improvements need to be made and to what degree. The intent is to implement an assessment/project management system that can accommodate the necessary inputs and also produce the necessary reporting for the public, the city officials and can interface with the City's financial system, FAMIS. With the implementation of such a system, a large number of the concerns identified in the management audit can be effectively mitigated.

Sincerely,

Yomi Agunbiade
General Manager

YA:JH
RoseH 010906

Section 1. Allocation of Recreation and Aquatic Staff Resources

The Director of Operations should:

1.1 Develop minimum productivity standards for recreation staff in conjunction with the Neighborhood and Citywide Services Managers.

RPD Response: Agree.

1.2 Develop a method for accurately determining facility use statistics in conjunction with the Neighborhood and Citywide Services Managers.

RPD Response: Agree.

1.3 Develop a recreation staff allocation plan based on productivity and facility use standards in conjunction with the Neighborhood and Citywide Services Managers.

RPD Response: Partly Agree. Operations Division will develop a recreation staff allocation plan; however, in place of existing productivity and facility use metrics, we propose to use criteria determined by core program findings (see recommendations 4.3, 4.4., 4.9) and the productivity and facility use standards that subsequently support those core program requirements

1.4 Assess the need for part time and full time recreation staff and propose reductions in full-time staffing to part time as appropriate, resulting in salary savings equivalent to two full time recreation director positions.

RPD Response: Partly Agree. Per RPD Response to 1.3, part-time and full time recreation staff reallocations will be assessed against the Department's core program findings, rather than existing program delivery.

1.5 Reallocate salary savings from the reduction in full time recreation staff to part time recreation staff to fund custodian staff evening shift and lead custodian positions, as discussed in Recommendation 2.4.

RPD Response: Partly Agree. Per RPD Response to 1.3 and 1.4, any identified salary savings will result from recreation staff reallocations assessed against core program findings.

1.6 Implement a system to print scrip tickets online, in conjunction with the Director of Administration and Finance.

RPD Response: Partly Agree. We agree that a more accessible and accountable system for pool admissions needs to be implemented. The Department is currently negotiating the purchase of *Class* system software from Active Network, Inc. – the industry leader in recreation management software. Online access for aquatics tickets, passes, and program registration will be supported by this acquisition / installation.

1.7 Implement the monthly passes, as approved by the Board of Supervisors in FY 2005-2006, including developing a system to purchase monthly passes online, in conjunction with the Director of Administration and Finance.

RPD Response: Partly Agree. See RPD Response to 1.6

1.8 Assess opportunities to increase the locations where swimming pool patrons can purchase scrip booklets and monthly passes, including agreements with other City departments that routinely handle cash, such as the libraries, or vendors that sell MUNI fast passes, in conjunction with the Director of Administration and Finance.

RPD Response: Partly Agree. See RPD Response to 1.6.

1.9 Evaluate swimming pool staffing and planned closures throughout the year to ensure adequate staffing during the year and reduce the number of occasions that swimming pools are closed unexpectedly due to staffing shortages, including (a) revising the pool hours during the course of the year based on changes to maintenance and renovation schedules, pool use, and staff availability, and (b) posting the revised pool hours on the web site.

RPD Response: Agree, with the additional stipulation that pool closures due to staffing shortages have been aggravated by the Department being directed to keep nine swimming pools in operation beyond the summer season – whereas the funding for aquatics staffing only supports the operation of eight swimming pools for the fall, winter, spring program seasons.

1.10 Evaluate swimming pool fees and attendance and identify opportunities for increased paid attendance, especially at pools with below capacity use and during the winter months.

RPD Response: Agree.

1.11 Assess the potential of increased revenues through fee increases to fund additional custodian staffing.

RPD Response: Agree, with the stipulation that aquatics fees were just raised this year. The Department proposes to assess current revenue potential before examining additional fee increases.

1.12 Install vending machines to distribute swimming diapers.

RPD Response: Agree, within funding constraints.

1.13 Review the use, cost and funding sources for equipment purchases, such as pool vacuums and pool washers.

RPD Response: Agree, with the stipulation that remediation for pool closure due to bodily fluid contamination is system backwashing / sanitation stabilization, not equipment such as pool vacuums and washers.

The Recreation and Park Department General Manager should:

1.14 Report to the Recreation and Park Commission during the FY 2006-2007 budget preparation and review on the status of implementing swimming pool payment systems, including (a) purchasing and printing scrip tickets on line, (b) purchasing monthly passes, and (c) installing a Translink system at the swimming pools that would automatically admit patrons through an electronic gate.

RPD Response: Partly agree. Per RPD Response to 1.6, the Department is currently acquiring *Class* recreation management software as the Department-wide regime for program registration / point-of-sale / gate admissions. Online customer service and automated gate admission will be supported by *Class* system capabilities.

1.15 Report on the revenue impact of potential fee increases, including fee increases associated with discounted scrip tickets and monthly passes, and include this evaluation in the General Manager's report to the Recreation and Park Commission during the FY 2006-2007 budget preparation and review.

RPD Response: Partly Agree. Per RPD Response to 1.11, the revenue impact of the current aquatics fee increase that was recently enacted will be evaluated before assessing the potential of any future fee increases.

Section 2. Allocation of Gardener and Custodian Staff Resources

The Director of Operations should:

2.1 Reallocate salary savings from the reduction in full time recreation staff to part time to custodian staff, as discussed in Recommendations 1.4 and 1.5.

RPD Response: Partly Agree. Any salary savings will be identified per RPD Response 1.3.

2.2 Direct the Neighborhood and Citywide Services Managers to develop a methodology to allocate gardener resources based on a more precise assessment of facility needs, park maintenance standards, and productivity targets.

RPD Response: Agree. The Neighborhood Services Superintendent is already developing this methodology.

2.3 Develop gardener facility maintenance and productivity targets for the golf courses, the San Francisco Botanical Gardens, and the Natural Areas.

RPD Response: Agree.

2.4 Evaluate custodian assignments and supervision, including:

(a) Establishing an evening shift for custodians.

(b) Re-assigning Neighborhood and Citywide Services custodians from facilities to mobile crews.

(c) Establishing a single custodian crew in Golden Gate Park.

(d) Creating lead positions for mobile crews and the Golden Gate Park crew.

(e) Establishing reporting lines to the eight neighborhood services supervisors and the Golden Gate Park supervisor.

(f) Reviewing and revising the custodian job description to include green areas as well as facilities.

RPD Response: Partly Agree. The Department will evaluate establishing an evening shift for custodians, subject to budget constraints (*e.g.,* increased salary costs due to shift differential and other factors).

2.5 Develop productivity and performance standards custodians and a methodology for allocating custodian resources to facilities.

RPD Response: Agree.

2.6 Develop training in custodial best practices for non-custodian supervisors and custodian staff.

RPD Response: Agree.

2.7 Ensure that all supervisors have internet access at a convenient location and are trained in computer and internet use, in conjunction with the Neighborhood and Citywide Services Managers.

RPD Response: Agree.

The Recreation and Park Department General Manager should:

2.8 Reassign responsibility for planning and complying with the Proposition C park maintenance standards to the Director of Operations.

RPD Response: Agree. The implementation of Propositions C commenced prior to recruiting the Operations Director.

2.9 Work with the Mayor's Office and the Department of Human Resources to meet and confer with Service Employees International Union (SEIU) Local 790 to (a) establish an evening shift for custodians, and (b) revise the custodian job description to include green areas as well as facilities.

RPD Response: Partly Agree. The department will work with DHR to a) determine which of the recommendations requires the department to meet and confer per the MOU with SEIU Local 790 and b) determine if the existing job description needs to change.

2.10 Submit to the Board of Supervisors the Department's plan for extending computer, telephone, voice mail, and email access throughout the Department during the FY 2006-2007 budget review.

RPD Response: Agree, with the stipulation that the resultant plan will be subject to budget constraints. The department understands the importance of increasing connectivity and communication for all staff and has been working toward this goal for several years, as the budget permitted. Solutions include the provision of VOIP to recreation and other facilities, as appropriate. The department is also reviewing methods for providing field staff, such as gardeners, with radio connectivity through products such as Nextel's Direct Connect. The department's ability to increase connectivity depends upon the availability of budget resources.

2.11 Work with the Mayor and with Homeless Connect to set up a Homeless Connect parks team to address the impact of homeless encampments in the parks and to coordinate City departments' resources and services.

RPD Response: Agree.

Section 3. Management of Performance and Morale

The Recreation and Park Department General Manager should:

3.1 Complete an assessment of the performance evaluation process and approve a formal performance evaluation policy.

RPD Response: Agree.

3.2 Direct the Director of Operations and the Director of Finance and Administration to submit joint quarterly reports to the General Manager that track in detail: (a) employees on Worker's Compensation or other extended leave, the type of leave, and the length of time on leave, or if the employee has combined several types of leave, the total length of time on leave, (b) employees able to return to work with medical restrictions, (c) employees on Worker's Compensation and other leaves who are eligible for, been notified of, and have accepted temporary transitional work assignments, and (d) employees on Worker's Compensation and other leaves who are eligible for, been notified of, and have requested Americans with Disabilities Act accommodations, and the status of those accommodations.

RPD Response: Agree. The department already tracks leave, type, and length for all employees. For employees with a work-related injury or illness, the department also tracks employees with medical restrictions, notification, and participation in our Temporary Transitional Work Assignment program. Reports to division directors are provided regularly (i.e., monthly, bi-monthly or quarterly) as best fits the division's needs and performance. The department will investigate the provision and benefit of providing these reports to the General Manager on a quarterly basis.

The department established a Leave Case Management team in May 2005 that tracks and coordinates leave issues including TTWA and ADA. The teams work includes continuous improvement in this area and will continue to investigate possible changes to procedures to improve these processes and their integration (where appropriate).

3.3 Assign the Director of Operations, the Director of Administration and Finance, the Director of the Capital Program, and the Director of Partnerships and Property with responsibility for monitoring and tracking employees' and supervisors' safety awareness meeting attendance, in coordination with the Human Resources Division Manager.

RPD Response: Agree.

3.4 Consider further steps in setting safety awareness and injury and illness prevention as a priority, including (a) increasing the percent of safety awareness meeting attendance necessary to receive a "met objective" performance rating, and (b) include other safety prevention protocols in the annual performance evaluation goals and objectives, such as periodic safety inspections, on-time accident reporting, timely provision of medical slips, and days to complete corrective actions.

RPD Response: Agree.

The department has consistently included a department wide goal related to employee safety since FY2000-2001. The current goal focuses on Safety Awareness Meeting completion rates, awareness being the first step in prevention, and represents a shift in the department's strategy to leading indicators for health and safety performance. Once the department is able to sustain the current goal of a 70% completion rate we will evaluate and look toward increasing this measure for the met objective performance rating. Based on the continuous improvement in the provision of safety awareness meetings from having a department wide goal, the department will evaluate additional leading indicators of safety performance to be included in future goals.

3.5 Establish policies governing staff meetings, which include (a) requirements for regular staff meetings between supervisors and line staff, staff meeting topics, including information on promotional opportunities, changes in Department policies and procedures, upcoming events and upcoming permits and reservations scheduled at the work locations, and (b) schedules for periodic division-wide and Department-wide staff meetings.

RPD Response: Agree.

3.6 Establish opportunities for Department staff to meet with the General Manager and senior level managers, including setting up annual or semi-annual Department-wide staff meetings and attending smaller quadrant or section-level meetings on a rotating basis.

RPD Response: Agree.

The Human Resources Division Manager should:

3.7 Evaluate supervisors' management of time and ability to complete the performance evaluation for all employees for those supervisors who do not meet their performance goals and develop time management protocols for Department managers and supervisors as appropriate.

RPD Response: Agree. The department has worked with employees on a voluntary basis to help improve their time management skills. Going forward, each division manager will work with the Human Resources Division to evaluate time management by their staff. Working together, Human Resources and the division managers will create strategies to help supervisors to create the time necessary to complete performance evaluations for each member of their staff.

3.8 Assess weaknesses in setting and evaluating performance goals and establish guidelines for the types of goals to be included in the performance evaluations, to ensure that performance evaluations address consistent and effective standards.

RPD Response: Agree. From the beginning of the performance evaluation process the department has worked with supervisors to coach them in the development of appropriate goals for their staff. The Human Resources Division will review and evaluate the existing goal setting process and work to improve it.

3.9 Work in coordination with the Director of Operations and the Neighborhood and Citywide Services Managers to develop protocols and communication channels to increase recreation and gardener staff participation in training programs.

RPD Response: Agree. The Director of Operations has already begun to work with the Environment, Health and Safety Unit and the Neighborhood and Citywide Services managers to address the need for a comprehensive gardener training program that creates enhanced skills for each employee and benefits the department.

3.10 Work with the Department of Human Resources Worker's Compensation Division Director to develop a regular reporting schedule, including (a) identifying the types of reports, and (b) the schedule for receiving the reports.

RPD Response: Agree. The department works with the Workers' Compensation Division Director to develop a performance agreement addressing services provided for each fiscal year. That agreement establishes the types and schedule for receiving the reports. For example, the FY2004-2005 agreement establishes that receipt of Charge Back, Return to Work, Policy Analysis, Payment Policy, Loss Summary, Closing Ratio, Closed Claims, and Plan of Action reports on a monthly basis. The department receives claim specific reports daily or weekly and billing reports related to the intradepartmental work order quarterly. We will continue to work with the Division Director to establish and refine performance agreements each year in order to improve in this area.

3.11 Develop protocols to identify and notify employees on extended leave who are eligible for temporary transitional work of available work.

RPD Response: Agree. The department's Temporary Transitional Work Assignment (TTWA) program, established December 2000, sets the protocols that identify employee's eligible for the program. The department's TTWA and Injury and Illness Reporting procedures also address employee notification for work-related injury or illness. Unlike the work-related injury or illness cases where employers receive medical restrictions, the current City leave procedures and forms do not provide for the collection of this information. Medical restrictions are critical in the determination of TTWA eligibility. The department will raise this issue to the attention of the Department of Human Resources with the interest of exploring this possibility.

3.12 Review and evaluate existing protocols to monitor employees who are absent from work on extended sick or other types of leave to identify improvements in procedures to return employees to work through temporary transitional work assignments or American with Disabilities Act accommodations.

RPD Response: Agree. For the past 6 months, Human Resources staff responsible for ADA, Leave, and Workers' Compensation have been meeting bi-weekly to review cases that overlap to help determine if employee's can return to work through TTWA or ADA. Evaluation of a case for non-punitive separation (i.e., resignation, retirement or medical separation) is also reviewed.

3.13 Work with the department's senior managers to evaluate extended leave requests and determine if the leave time can be shortened or if the individual employee will be able to return to work in full capacity.

RPD Response: Agree. Human Resources can work with managers on personal leave requests to determine if they can be shortened. However, medical leaves are prescribed by health care personnel that we have little influence with. As noted earlier, the department will raise this issue to the attention of the Department of Human Resources with the interest of exploring this possibility.

3.14 Work with the City Attorney's Office in the instance that requested sick leave corresponds to disciplinary action to determine if the requested leave is legitimate sick leave under City policy, if discipline problems can be resolved in a timely manner and the individual should return to work, or if more progressive discipline should follow, including termination.

RPD Response: Agree. Illegitimate sick leave can be a difficult circumstance to prove, however the department will work with the City Attorney as appropriate.

The Director of Operations should:

3.15 Direct the Neighborhood and Citywide Services Managers to establish training and skills development as a priority.

RPD Response: Agree, this is already in progress.

3.16 Direct the Neighborhood and Citywide Services Managers to develop a formal training plan for recreation, gardener, and custodial staff, which includes a mentoring system to allow more experienced staff to assist the training of newly-hired or less skilled staff.

RPD Response: Agree, this is already in progress.

3.17 Direct the Neighborhood and Citywide Services Managers to work with the Human Resources Division Manager to establish formal channels for employees to attend classes through the San Francisco Community College system, including horticulture and recreation classes, and to develop protocols for receiving tuition reimbursement for attending classes.

RPD Response: Partly Agree. The Neighborhood Services Superintendent and Citywide Services Superintendent are researching and building outcome-based training tracks / curricula that will provide professional career development opportunities for recreation and gardening staff in their respective professional competencies. The current Department direction is to coordinate / establish curricula with professional associations such as California Park & Recreation Society or National Recreation and Parks Association so that continuing education opportunities will result in professional certifications and credentials for Department staff. Eventual training track design will be subject to budget availability.

3.18 Direct the Neighborhood and Citywide Services Managers to develop custodial service protocols based on best practices.

RPD Response: Agree.

3.19 Direct the Neighborhood and Citywide Services Managers to develop best practice and management training for the neighborhood services managers and the assistant custodian supervisors, and job specific training programs for custodians.

RPD Response: Agree.

3.20 Direct the Neighborhood and Citywide Services Managers to implement task groups, which include front line staff, to work on specific problems, such as radio and phone availability in the field or cash and revenue handling at recreation facilities, and which develop recommendations, implementation plans, and a reporting mechanism.

RPD Response: Partly Agree. The Neighborhood Services Superintendent and Citywide Services Superintendent will continue to include frontline staff in on-going efforts to address field issues; however, eventual recommendations and solutions must be based on best practices within the recreation and parks field.

3.21 Develop protocols to ensure supervisors are including employees in work planning and problem solving processes.

RPD Response: Agree.

Section 4. Community Participation in Resource Planning

The Recreation and Park Department General Manager should:

4.1 Direct the Director of Operations to work with Neighborhood and Citywide Services Managers to research, develop, and implement protocols based on best practices for outreach and the solicitation and inclusion of community input. Appropriate protocols may include the use of a standard recreation program evaluation, regular focus groups and district-level community meetings, and suggestion boxes at recreation facilities. These protocols should include reporting mechanisms, so that Director of Operations and Neighborhood and Citywide Services Managers can accurately quantify the community outreach and input taking place.

RPD Response: Agree.

4.2 Direct Neighborhood Services Managers to be responsible for ensuring compliance with community input and outreach protocols, for example by including community outreach and input goals in employee performance plans and evaluations.

RPD Response: Agree.

4.3 Direct the Department's planning staff to analyze the recreation programs offered in relation to external factors such as neighborhood and citywide demographics, what programs and services are being offered by other providers in the area, and historical recreation trends.

RPD Response: Agree.

4.4 Direct the Director of Operations to develop a plan to address recreation trends, a plan that should specifically include the provision of more fitness and adventure sport opportunities.

RPD Response: Agree.

4.5 Direct the Director of Operations to create stronger incentives for staff to submit attendance data, supplemented by disciplinary actions, if necessary, and make a strong case for the collection of this data to staff, by creating a clear plan for how it will be used to make programming decisions in the future.

RPD Response: Agree.

4.6 Direct the Director of Operations to create a more efficient method to collect attendance data, such as asking recreation staff to take "snapshots" of attendance activity at different points throughout the week, rather than tracking every user.

RPD Response: Agree, with the stipulation that this will be a comprehensive solution with different methodologies for the various forms of recreation participation (*e.g.*, registered programs, drop-in programs, self-directed activity).

4.7 Direct the Director of Operations to develop protocols for checking the integrity of attendance data, such as using anonymous "shoppers" who visit recreation centers to observe actual community use of facilities and programs.

RPD Response: Agree.

4.8 Direct the Director of Operations to require regular meetings with staff at a district or quadrant level to facilitate the transmittal of attendance data, among other goals discussed in Section 2.

RPD Response: Agree.

4.9 Direct the Director of Operations to ensure that the criteria being used to define core services do not include the length of time the service has been offered by the Department or the amount of budgetary resources the service currently requires. Rather, the criteria for defining core services should elucidate the service's role in the fulfillment of the Department's mission as a provider of recreation opportunities and parks. Once the development of the list of core services is completed, the Operations Division should design methods to ensure quality in the provision of these core services, including standardized performance measures, program goals, and evaluation procedures.

RPD Response: Agree.

4.10 Direct the Director of Operations to develop policies and procedures for the establishment of program goals for core programs and the measurement of performance measures associated with these goals.

RPD Response: Agree.

4.11 Direct the Director of Operations to develop a generic program evaluation form. At minimum, the use of program evaluations should be required for citywide and core recreation programs. The Director of Operations should ensure the central collection of program outcome and quality data.

RPD Response: Agree.

4.12 Delegate the responsibility of implementing the recommendations of the 2004 *Recreation Assessment* to the Director of Operations and require the development a clear implementation timeline and strategy and the establishment of a formal reporting procedure, including reporting to the Recreation and Park Commission, for tracking implementation progress.

RPD Response: Agree.

4.13 Consult with the Chair of the Parks, Recreation, and Open Space Advisory Committee (PROSAC) to determine a clear plan for the execution of the committee's district and citywide liaison activities, including how the Department will provide appropriate support for the committee's efforts and what the performance expectations should be for committee members.

RPD Response: Agree. The Department would encourage PROSAC to assume a larger role in district and citywide liaison activities.

4.14 Develop policies and procedures related to community partnerships. The policies should clearly define the types of partnerships that require memoranda of understanding and partnership agreements.

RPD Response: Agree, with the stipulation that a template approach is not feasible. Memoranda of understanding will necessarily be determined by the context of the partnership opportunity.

4.15 Designate a person in the General Manager's Office to compile information related to the community groups and partners with which the Department works.

RPD Response: Agree. This effort is already being performed by the Department's Planning Division.

4.16 Direct the Director of Operations to use the list of core services, once developed, to prioritize resource allocation decisions in recreation centers and investigate partnership opportunities for the provision of non-core services at recreation center facilities.

RPD Response: Agree.

4.17 Direct the Director of Operations to evaluate the pilot program with the Department of Children, Youth, and Families in which community based organizations will provide children's and families' programs in Recreation and Park Department facilities as a model for providing additional programs and services.

RPD Response: Agree.

4.18 Monitor the progress of discussions being led by the Office of the Mayor to address development of a formal volunteer policy. The General Manager should provide negotiators with the productivity standards for gardeners that are currently under development by Planning Staff. This effort may assist the Department and union by clarifying which gardening tasks do not require specific horticultural knowledge and training, and which should only be reserved for gardening staff.

RPD Response: Agree.

4.19 Work with the Director of Human Resources to modify the job descriptions of gardening and recreation staff, so that they include the supervision of volunteers.

RPD Response: Partly Agree. The Department will review and evaluate how and at what level volunteer supervision should be included in the job descriptions of gardening and recreation staff. The department will work with DHR to evaluate the feasibility of making such changes to the job descriptions for these classifications.

4.20 Investigate the possibility of providing incentives for staff to work with volunteers.

RPD Response: Agree. The department currently provides lead pay to gardeners who work with volunteers and will explore the feasibility of extending this benefit to recreation staff as well.

The Recreation and Park Commission should:

4.21 Review and approve the protocols, plans, policies and procedures, and list of core services contained in Recommendations 4.1, 4.4, 4.7, 4.9, 4.10, and 4.14.

RPD Response: Disagree. Review and approval is more properly a management function; however, the Commission will be updated regularly on the Department's progress.

Section 5. The Open Space Fund

The Recreation and Park Department General Manager should:

5.1 Ensure that the Department complies with the Proposition C requirement for a 3 percent undesignated contingency reserve.

RPD Response: Agree. The department must ensure that the appropriation for the 3 percent contingency reserve is calculated on the Controller's Office **final** budget estimate of Open Space revenue each fiscal year. Currently the calculation is made early in the budget process. In the past several years the Open Space allocation has tended to increase, due to good news on property tax receipts, between January and June, making the percentage slightly less than three percent.

5.2 Ensure that the property acquisitions policy is formally adopted by the Recreation and Park Commission in 2006.

RPD Response: Agree. The department plans to bring the acquisition policy to the Recreation and Park Commission in February 2006, after receiving comments from PROSAC and the following agencies, Department of Public Works, Redevelopment Agency, Planning Department, Mayor's Office of Economic Development.

Section 6. The Golf Fund

The Recreation and Park Department General Manager should:

6.1 Ensure, in relation to the borrowed State Proposition 12 funds for the Harding and Fleming Golf Courses renovation project, that the full FY 2005-2006 repayment of $935,420 is made to the Open Space Fund.

RPD Response: Agree. The department will make every effort to abide by the ordinance governing the payment from the Golf Fund to the Open Space Fund. The department has $540,000 budgeted for the payment in the current fiscal year and will work to generate expenditure savings in the Golf Fund to cover the additional $395,000 necessary to make the full payment.

6.2 Review available strategies to speed up repayment of the borrowed State Proposition 12 funds plus interest so that repayment will not take the full 25 years currently scheduled. The strategies reviewed should include modification of Harding and Fleming Golf Courses' fee structure and percentage of rounds reserved for residents' use.

RPD Response: Agree. The department would like to make the payments from the Golf Fund to the Open Space Fund on as expeditious a schedule as possible. However, any increase in the payment schedule depends on the financial health of the Golf Fund, which is currently somewhat tenuous. The department will evaluate the feasibility of changing the Harding/Fleming fee structures as well as the percentage of rounds dedicated to resident use, however the ultimate authority over such changes resides with the Board of Supervisors.

6.3 Renegotiate the Master Tournament Agreement with PGA Tour, Inc. to either (a) negotiate more advantageous terms for the City, so that it fully recovers the Department's direct costs and makes a profit, or (b) terminate the agreement.

RPD Response: Partly Agree. The department is proud of its part in facilitating the return of the PGA Tour to a public course in San Francisco after a 40 year absence. The department agrees to review the tournament agreement for opportunities to increase department revenue from subsequent tournaments. The department disagrees with the option to terminate the agreement. Although difficult to quantify, the benefits to the City go far beyond the dollars and cents which accrue to the Recreation and Park Department.

6.4 Develop overall plans for Lincoln and Sharp Golf Courses in relation to the best use of those properties, required capital improvement program costs and schedules, and possible funding sources.

RPD Response: Agree. The department intends to develop and execute a plan to make all its golf courses functional and to make the Golf Fund functional and self-sustaining.

Section 7. Revenue Generating Programs, Capital Costs, and Cost Allocation

The Recreation and Park Department General Manager should:

7.1 Report to the Board of Supervisors prior to December 31, 2006, on the options for repair or replacement of Monster Park Stadium, the planning process, and the timelines.

RPD Response: Agree. The department will work with the Mayor's Office to review options and create a plan for repair or replacement of the Stadium. Any plan that is proposed will undergo thorough review and extensive input from the public.

7.2 Assess the Camp Mather facilities to identify the need for capital repairs or replacement, estimate costs, and set priorities and schedules for repair and replacement.

RPD Response: Agree. The department has a high level understanding of the likely costs for capital repairs and replacement at Camp Mather, but will work on developing a detailed scope of work, schedule and estimates for the necessary capital investment.

7.3 Report to the Board of Supervisors during FY 2006-2007 on Camp Mather's operating and capital costs, the impact on fees, and the options for maintaining Camp Mather.

RPD Response: Agree. Once the department has made the evaluations outlined above, it will report the findings to the Board of Supervisors.

7.4 Evaluate the West Harbor's fiscal feasibility, in the absence of renovating the East Harbor, by (a) defining the Marina Yacht Harbor's fixed costs and identifying the impact of allocating 100 percent of fixed costs to the West Harbor, and (b) projecting revenues based on alternative berthing rate scenarios.

RPD Response: Agree. The department's analysis to date suggests that a combined project for the East and West Harbors makes the most sense, however the department will reevaluate the feasibility of a West Harbor project alone.

7.5 Provide a status report to the Board of Supervisors on (a) the status of the California Department of Boating and Waterways loan for the East Harbor renovation, (b) the status of the City's legal dispute with the Pacific Gas and Electric Company regarding responsibility and costs for the contaminated East Harbor soil, and (c) alternative revenue and cost scenarios for the Marina Yacht Harbor's West and East Harbors during the FY 2006-2007 budget review.

RPD Response: (a) Agree. The department will provide such an update. (b) Agree. The department will seek guidance from the City Attorney's Office on the most appropriate means of a making a status report to the Board of Supervisors and the Recreation and Park Commission on this on-going litigation. (c) Agree. The department will discuss the Marina budget with the Board of Supervisors during the upcoming budget process.

7.6 Direct the Director of Administration and Finance and the Director of the Capital Program to evaluate the Department's methodology for determining indirect and direct costs when setting overhead rates and identify all costs that should be charged directly.

RPD Response: Agree. The department currently conducts an annual review of direct and indirect costs and validates the appropriateness of each cost that is allocated indirectly through the department's overhead fund. The department will continue to evaluate such costs and charge direct costs as appropriate.

7.7 Direct the Director of Administration and Finance to review the Department's methodology for calculating and applying the annual carry forward adjustments when calculating the overhead allocation in the annual budget, to ensure that the special revenue funds and Department programs are charged overhead costs correctly and comply with Federal, State, and local regulations where applicable.

RPD Response: Agree. The department must meet with the Controller's Office to review this methodology and address issues that arise from the fact that the department's overhead fund is an annually appropriated fund that closes at the end of each fiscal year.

Section 8. Recreation and Park Department Property Use and Lease Management

The Board of Supervisors should:

8.1 Adopt an ordinance, amending the Administrative Code, that requires Board of Supervisors approval for all leases and management agreements entered into by any City department, which makes the City responsible for any dept incurred under the lease or management agreement.

The Recreation and Park Department General Manager should:

8.2 Expedite hiring of the new Director of Partnerships and Property Management position.

RPD Response: Agree. The department has initiated the hiring process for this position and expects to fill the position in the spring.

8.3 Direct the Director of Administration and Finance and the Director of Partnerships and Property Management to (a) assess the Department's current system capability and needs, including tie-in of the lease management system with the new revenue tracking system, and (b) present estimates of costs and timelines for the lease management system upgrades and revenue tracking system tie-in to be presented to the Recreation and Park Commission during the FY 2006-2007 budget review.

RPD Response: Agree. The department is committed to improving the electronic lease management system in order to facilitate better tracking and review of all property management agreements. The department has begun to implement a new revenue tracking system that will be used both by the Revenue Unit and the Property Management

Division. Once the revenue tracking system has been set in place, the department will work to tie it in to an improved lease management system.

8.4 Direct the Director of Administration and Finance and the Director of Partnerships and Property Management to (a) review and revise existing revenue monitoring protocols to ensure that property managers and Revenue Unit staff share lease revenue collection data on a monthly basis, and (b) develop a schedule to review coordination of lease revenue information and data.

RPD Response: Agree. Communication between the Revenue Unit and the Property Management Division must be made routine and effortless. The Director of Administration and Finance will review existing protocols and establish new and enhanced methods of communication between the two groups.

8.5 Direct the Director of Partnerships and Property Management to review and revise existing protocols and develop rigorous standards to enforce lease provisions, including (a) routinely monitoring lease payments, (b) assessing penalties for all late payments, (c) routinely reviewing and reconciling percentage and other rent payments, (d) adjusting the minimum annual guarantee rents under the terms of the lease agreement, and (e) requiring timely submission of certified financial statements or audit reports.

RPD Response: Agree. The development of a more effective lease management system will enable the Property Management Unit to more easily track and enforce provisions of the department's property management agreements.

8.6 Recommend financial terms in the prospective Japanese Tea Garden lease to the Recreation and Park Commission that maximizes lease revenues based on expected increases in Japanese Tea Garden attendance, including achieving revenues of at least $280,000 annually based on attendance of 425,000.

RPD Response: Partly disagree. The department will do all it can to maximize revenue from the Japanese Tea Garden. The level of attendance at the Japanese Tea Garden, even with the re-opening of the deYoung Museum, does not support a revenue expectation of $280,000 annually. The department expects to re-bid the concession for the Tea Garden at approximately the time that the Academy of Sciences re-opens. At that time the department will review the appropriate minimum guarantee for the lease.

8.7 Immediately request loan documents from Kemper Sports Management.

RPD Response: Agree.

8.8 Request the Controller to audit the management agreement between the Department and Kemper Sports Management if Kemper Sports Management does not provide the loan documents.

RPD Response: Agree. The Controller's Office is scheduled to undertake a routine audit of the department's financial relationship with Kemper Sports Management in the next few months.

8.9 Terminate the management agreement with Kemper Sports Management if Kemper Sports Management refuses to both (a) provide the loan documents to the City within 30 days of the Department's request, and (b) cooperate with a subsequent audit by the Controller.

RPD Response: Disagree. Kemper Sports Management has proven to be an effective manager of the Harding Park Golf Course to date. Indeed, Harding Park currently functions better than any of the department's other golf courses and the department values its relationship with Kemper accordingly. The department has begun discussions with Kemper about sharing the loan documents with the city and believes that this recommendation will soon be moot.

8.10 Present regular reports to the Recreation and Park Commission on the status of discussions with the Public Utilities Commission for the best use of the Lake Merced property currently occupied by the Rod and Gun Club.

RPD Response: Agree. The Department and the PUC plan to undertake a master planning process for Lake Merced, including the property occupied by the Rod and Gun Club. The department will report to the Commission on the process and results of that master plan.

8.11 Determine the best uses for the Lake Merced Boathouse prior to submitting the draft Request for Proposals to the Recreation and Park Commission.

RPD Response: Agree.

8.12 Present an analysis of the best uses of the Lake Merced Boathouse, including commercial development along the lines of the Beach Chalet, or mixed-use or recreational development, and whether these uses would generate sufficient funds to pay the costs of renovation, when submitting the draft Request for Proposals to the Recreation and Park Commission.

RPD Response: Agree. The department will provide the results of its analysis to the Commission.

Section 9. Management of Permits, Fees, and Other Revenues

The Recreation and Park Department General Manager should:

9.1 Submit the $35 facility use fee to the Board of Supervisors for approval.

RPD Response: Disagree. Rather than formalize this particular facility use fee, the Department will undertake a complete review and restructure of the entire event permit fee schedule to make all fees equitable, transparent, and enforceable for all users.

9.2 Develop a written policy, defining the type, purpose, and amount of each additional charge to an event sponsor, to ensure that such charges are consistent with Park Code Sections 12.22, 12.24, and 12.25.

RPD Response: Agree. This will be accomplished concurrent with the restructuring of the event permit fee schedule described in RPD Response 9.1.

9.3 Establish formal criteria for waiving fees for events conducted by Federal, State, or City agencies, including establishing fees for non-profit or commercial events sponsored by Federal, State, or City agencies and present the criteria to the Recreation and Park Commission for approval.

RPD Response: Agree.

9.4 Submit all fee waivers not authorized by the Park Code to the Board of Supervisors for approval.

RPD Response: Agree.

9.5 Assign responsibility and oversight of temporary permits for pushcart vendors and license agreements to the Director of Partnerships and Property.

RPD Response: Agree.

9.6 Identify and implement license agreements for all revenue-generating classes conducted by outside individuals and organizations, and implement a procedure to receive and record receipts from the license agreements.

RPD Response: Agree.

9.7 Direct the Director of Administration and Finance and the Director of Partnerships and Property to jointly develop formal procedures for (a) maintaining temporary permit files, (b) recording and reporting temporary permit fee receipts, (c) reconciling temporary permit fee deposits for each vendor with actual receipts, and (d) maintaining deposit records that cross reference reservation and permit files.

RPD Response: Agree

9.8 Direct the Director of Administration and Finance and the Director of Partnerships and Property to jointly establish procedures for (a) maintaining reservation and permit files, (b) reconciling reservations and permits with daily deposits, (c) recording deposits, and (d) maintaining deposit records that cross reference reservation and permit files.

RPD Response: Agree

9.9 Submit an ordinance to amend the Park Code to the Recreation and Park Commission and the Board of Supervisors to prohibit permit issuance when the permit applicant owes the Department for prior events.

RPD Response: Agree.

9.10 Not issue any future permits to Events West until all past due amounts payable to the City are paid in full by Events West.

RPD Response: Agree.

9.11 Direct the Director of Administration and Finance and the Director of Partnerships and Property to jointly develop procedures to record, report, and collect unpaid and past due accounts, including developing reports that identify accounts that are 30 or more days past due and procedures to transfer delinquent accounts to the Office of the Treasurer and Tax Collector for collection.

RPD Response: Agree

9.12 Review and simplify the Recreation and Park Department's fee structure, consolidating fees and reducing from the approximately 442 different fees now in use.

RPD Response: Agree. See RPD Response 9.1.

9.13 Assess the Recreation and Park Department's fees for private use of facilities, such as weddings and private parties, to price them competitively and increase revenues.

RPD Response: Agree.

9.14 Evaluate the Recreation and Park Department's fee structure for film and photography permits, including simplifying the fee structure in a manner similar to the Golden Gate National Recreation Area's fee structure and increasing fees to the level charged by the Golden Gate National Recreation Area.

RPD Response: Agree.

9.15 Direct the Director of Partnerships and Property to assess the marketing potential and status of Recreation and Park Department properties and develop a marketing plan, including developing a cost analysis and business plan for marketing Recreation and Park Department property to support any budget requests for marketing.

RPD Response: Agree.

9.16 Direct the Director of Partnerships and Property to evaluate the priority scheduling or free use provided to the San Francisco Unified School District, the San Francisco Botanical Garden Society, and other organizations for various Recreation and Park Department properties, including identifying more efficient scheduling practices, cancellation policies and other procedures that impact the availability of Recreation and Park Department properties, and recommend policies for more efficient property use.

RPD Response: Agree.

9.17 Direct the Director of Partnerships and Property to evaluate informal arrangements, such as arrangements with San Francisco City College, to identify opportunities for more formal agreements, efficient scheduling practices, and sharing of resources.

RPD Response: Agree.

9.18 Direct the Director of Operations and the Director of Partnerships and Property to work jointly to identify all fee-generating classes, implement license agreements which include a charge for offering the classes at Recreation and Park Department facilities, and implement a procedure to receive and record receipts from the license agreements.

RPD Response: Agree.

Section 10. Cash Handling Practices

The Recreation and Park Department General Manager should:

10.1 Direct the Directors of Operations and Administration and Finance to revise the cash-handling policies and procedures to (a) identify all staff who are responsible for handling cash, (b) procedures for receiving, recording, keeping, transporting, and depositing cash and other revenues, and (c) training for all staff required to handle cash or revenues.

RPD Response: Agree. The department intends to review current cash handling policies and procedures and issue an updated set of policies in January. The department will work with staff to ensure that such policies are understood and implemented. In addition, the department is in the process of implementing an on-line reservation system that will significantly reduce the amount of cash handled by field staff throughout the Recreation and Park system.

10.2 Direct the Directors of Operations and Administration and Financeto identify and end all cash handling practices outside of the formal policies and procedures, including informal slush funds and payments to individuals to provide services.

RPD Response: Agree. The Department will work with staff to ensure that cash is properly handled.

10.3 Develop a formal policy, defining and reconciling policies and procedures for cash donations to the Department's gift fund and the San Francisco Parks Trust accounts.

RPD Response: Agree. The department is working on a set of policies governing donations to the S.F. Parks Trust accounts and hopes to distribute that policy to staff in January. The department will also create a formal policy governing the donation of money to gift funds within the city system.

10.4 Direct the Director of Finance and Administration to develop formal protocols requiring (a) at least two employees present at all cash counts, and (b) routine reconciling of cash counts with attendance records and other use tallies as appropriate.

RPD Response: Agree. The department will develop such a protocol and strive to meet it.

10.5 Direct the Directors of Operations and Administration and Finance to implement the May of 2004 Controller's Office aquatic program report findings and recommendations to develop (a) policies and procedures to record cash sales accurately by pool, and (b) procedures for Revenue Unit staff to reconcile weekly cash receipts from the pools against attendance.

RPD Response: Agree. The department currently records cash sales accurately by pool and will strive to improve attendance tracking at each pool in order to facilitate the accurate reconciliation of cash receipts from the pools against attendance. The implementation of Class, the department's on-line reservation system, should increase the sale of monthly swim passes and scrip tickets and reduce the amount of cash handled at the swimming pools. In addition, the department is considering implementation of a Class module that will allow the use of swipe cards at entrance of each pool, further reducing the amount of cash collected.

Section 11. Park Patrol

The Recreation and Park General Manager should:

11.1 Evaluate the service level provided by the current Park Patrol staffing level and make adjustments if deemed suitable and practicable, in the light of the Recreation and Park Department's overall mission, and within existing funding appropriations.

RPD Response: Agree.

11.2 Provide the Park Patrol with the assistance that it needs to develop acceptable administrative practices, including developing a Policies and Procedures Manual and data collection and reporting methods.

RPD Response: Agree.

11.3 Direct staff to update the performance measures, supporting strategies, and action steps contained in the Operational Planning document concerning the Park Patrol and ensure that the action steps are accomplished.

RPD Response: Agree.

11.4 Direct staff to locate an appropriate "command headquarters" for the Park Patrol.

RPD Response: Agree.

11.5 Direct staff to develop a recommendation on whether to obtain a digital recording system for Monster Park, preferably with grant funding.

RPD Response: Agree.

11.6 Work with the Metropolitan Transportation Agency's Department of Parking and Traffic to determine if the Department of Parking and Traffic's staff could issue parking citations on Recreation and Park Department property more cost-effectively.

RPD Response: Partially agree. The Department has already initiated discussions with the Department of Parking and Traffic regarding the possible accrual of revenues from parking citations issued on RPD property to RPD vice DPT. If unsuccessful, RPD will then pursue the transfer of parking citation functions on RPD property from RPD to DPT.

11.7 Develop an overall security plan that identifies the roles of the Department's respective staff members, including recreation directors, custodians, gardeners, and Park Patrol officers, in locking facilities, and reporting and following up on security incidents.

RPD Response: Agree.

Section 12. Maintenance Management

The Structural Maintenance Division Manager should:

12.1 Revise the existing Structural Maintenance Division mission statement to reflect clearly the contribution that the Division can make to the Recreation and Park Department mission.

RPD Response: Agree.

12.2 Develop performance measures, standards, and objectives that will serve to provide direction, accountability, and control for the Structural Maintenance Division's operations.

RPD Response: Agree.

12.3 Develop a set of work rules, including rules for allocating overtime, that specify behavioral expectations concerning the performance of maintenance work and expectations concerning behavior between employees and between employees and the public.

RPD Response: Partly agree. The Department has Memoranda of Understanding with each of the various unions that represent the trades that comprise the Structural Maintenance Division. These MOUs delineate the rules, work performance, and employee/management relationships that pertain to the employees covered under each respective MOU. The Department will ensure that these work rules and relationships are continuously and evenly respected and applied.

12.4 Establish a timeline for the development of a Maintenance Management Policies and Procedures Manual and report on the status of the manual's development to the Director of Operations prior to May 31, 2006.

RPD Response: Agree.

12.5 Establish two Classification 7262 Maintenance Planner positions by substituting them for vacant trade positions to perform planning for selected trades. Ensure that the supervisors for the selected trades receive sufficient work to enable them to schedule fully their journeymen on a weekly schedule. Assign the Maintenance Manager, when the position is filled, with overseeing maintenance planning as a primary responsibility. Ensure that the maintenance planners work primarily on planning duties.

RPD Response: Disagree. There is no funding for two new planner positions and no justification for the elimination of existing trade positions. The Department is addressing the maintenance planning function through improved planning support of Structural Maintenance functions by the Capital Division, using existing Capital Division staff resources.

12.6 Implement an effective preventive maintenance program.

RPD Response: Agree, subject to funding constraints.

12.7 Ensure that the Structural Maintenance Division initiates maintenance reporting on a continuing, periodic basis. The *Management by Objectives Report* produced by the Public Utilities Commission's Water Pollution Control Division is a useful model.

RPD Response: Agree, with the stipulation that maintenance reporting be linked to TMA and other management software that might be acquired by the Department.

12.8 Conduct an inventory of tools and equipment and update the inventory annually.

RPD Response: Agree.

12.9 Use Total Managed Assets System reports when requesting maintenance resources.

RPD Response: Agree.

12.10 Fill the vacant Classification 7263 Maintenance Manager position as soon as possible.

RPD Response: Agree. The Department is evaluating the most appropriate classification for this position. Anticipate fill by end of this fiscal year.

12.11 Implement a program to eliminate unsafe sidewalks on Recreation and Park Department property.

RPD Response: Agree, subject to funding priorities. The Department will also look for opportunities to include such work within adjacent Capital projects.

The Director of Operations should:

12.12 Assist the Structural Maintenance Division in obtaining the personnel resources cited in the Structural Maintenance Division Staffing part of this report section.

RPD Response: Agree, per previously stated stipulations.

12.13 Ensure that the Maintenance Superintendent obtains the assistance needed to accomplish the recommendations cited above and ensure that the recommendations are accomplished.

RPD Response: Agree, per previously stated stipulations.

Section 13. Materials Management

The Structural Maintenance Division Manager should:

13.1 Establish a storeroom and otherwise develop and maintain an inventory of all high-dollar value material items and items that tend to experience losses.

RPD Response: Agree to evaluate storeroom feasibility and to establish an inventory process.

13.2 Establish stock level and reorder points for high use items, to avoid stockouts of needed material and to avoid use of departmental work orders for single or few items.

RPD Response: Agree.

13.3 Ensure that the material in the Structural Maintenance Division Yard is brought into inventory or reported for disposal.

RPD Response: Agree.

13.4 Ensure that the material in the Bone Yard is brought into inventory or reported for disposal.

RPD Response: Agree.

The Purchasing and Contract Administration Manager should:

13.5 Assist the Structural Maintenance Division in developing adequate controls for materials, supplies, tools, and equipment.

RPD Response: Agree. The department's TMA system has the capacity to track inventories of materials and supplies, tools and equipment. The department has loaded basic information about its equipment inventory into TMA and is in the process of verifying that data. As new equipment is delivered it will be entered into and tracked through TMA. In addition, the department is currently in the process of placing the entire warehouse inventory into TMA. The department expects to create a tool inventory in TMA in the 2006-2007 fiscal year.

13.6 Assist the Structural Maintenance Division in establishing a storeroom or otherwise providing adequate safeguarding of materials and supplies.

RPD Response: Agree. See 13.1 above.

13.7 Assist the Structural Maintenance Division in disposing of Bone Yard material not required.

RPD Response: Agree. See 13.4 above.

13.8 Work with the Structural Maintenance Division to establish procurement procedures that are economical and efficient.

RPD Response: Agree. The department must balance the need to create economical and efficient procurement procedures against the need to maintain financial controls and ensure compliance with all relevant purchasing regulations and procedures. The department is working with the Structural Maintenance Division to find the appropriate balance between these competing needs.

13.9 Develop a Materials Management Policies and Procedures Manual for the Recreation and Park Department.

RPD Response: Agree. The Director of Purchasing and Contract Administration will complete such a manual in the 2006-2007 fiscal year.

13.10 Perform a physical inventory of the Recreation and Park Department storeroom as soon as practicable and at least annually thereafter.

RPD Response: Agree.

Section 14. Health, Safety, and Environmental Issues in the Structural Maintenance Unit

The Structural Maintenance Division Manager should:

14.1 Take necessary action to improve the physical condition of the Structural Maintenance Division Yard, including continuing the cleanup effort of the individual shops and the common areas.

RPD Response: Agree, with any renovation subject to prioritization within other Department renovation requirements.

14.2 In conjunction with the Environment, Health and Safety Manager, develop and implement a plan to reduce significantly the incidence of injuries in the Structural Maintenance Division.

RPD Response: Agree. The Structural Maintenance Division Manager will work with the Environment, Health and Safety Manager to correct the trend and work toward a workplace free of lost time injury or illness. The department will ensure that these managers review the audit results, including the two inspection reports, and work to correct all issues identified. Particular focus will be placed on continued improvement in operations in accordance with our injury and illness prevention program. This program is compliant with Cal-OSHA, having been reviewed by them on several occasions, and states the department's health and safety performance expectations, hazard identification and evaluation methods. It also speaks to the department's interest in intervention targeting, implementation and effectiveness monitoring. Key areas we would look for improvement in the Division might include, but not limited to, higher completion rates for required Safety Awareness Meetings, Periodic Inspections, on-time reporting of incidents and more rapid completion of related corrective actions.

14.3 Obtain the resources required to provide the Structural Maintenance Division with a wash rack that is environmentally responsive and accommodates the vehicle washing requirements of the Structural Maintenance Division.

RPD Response: Agree, subject to requirements prioritization and funding availability.

Section 15. Automotive and Mobile Equipment Management

The Recreation and Park Department General Manager should:

15.1 Emphasize the importance of complying with preventive maintenance inspection schedules.

RPD Response: Agree. The department understands the benefit of preventative maintenance and will work with staff to ensure that equipment is brought to the shop for maintenance on a regular schedule.

15.2 Ensure that proper disposition is made of the 1999 Ford Ranger that was involved in an accident on March 9, 2005, including pursuing monetary settlement for the vehicle damage and for the lost work time of the City worker. Further, emphasize the importance of taking timely action on incidents, such as vehicle accidents.

RPD Response: Agree.

The Manager, Central Shops, should:

15.3 Transfer the five general-purpose Recreation and Park Department vehicles that are currently not a part of the Fleet Management Program into the Program.

Section 16. Managing the Capital Program

The Recreation and Park Commission and General Manager should:

16.1 Ensure timely project close-out so that surplus funding can be reallocated as quickly as possible to under-funded capital improvement projects.

RPD Response: Agree. The Division recognizes the need to settle accounting and secure approvals to allow the reallocation of surplus funding. The first reallocation of surplus funds was completed in October 2004 the reallocation of $2.8M in surplus Open Space Funds and $2.39 M in 2000 Neighborhood Park Bonds was approved by the Board of Supervisors.

16.2 Formalize the Department's capital improvement project evaluation and selection criteria to best determine, as funding becomes available, which capital improvement projects should move forward.

RPD Response: Agree. A team of Capital Division staff has been assembled to work with the PROSAC Capital Working group to develop an evaluation and selection process for prioritizing capital projects moving forward. This effort is listed as a next step in the 2005 Annual Update of the Department's Capital Plan.

16.3 Develop a comprehensive plan for citywide renovation projects (such as field rehabilitation and court resurfacing).

RPD Response: Agree. This recommendation has been established as a Division goal in the 2005 Annual Update of the Capital Plan. We have begun achieving this goal through a recent study which evaluated the most severely damaged irrigation systems throughout the city. The study was a collaborative effort of staff from Capital and Operations which assessed 11 systems, identified findings, provided both short and long range solutions to be handled by Operations or will require capital dollars to correct the problem. This model will be used to begin developing a plan for deferred maintenance items (i.e., roof replacements, painting, paving repairs, etc.).

16.4 Incorporate the Urban Forestry and Natural Areas Programs into the Department's Capital Plan.

RPD Response: Partly Agree. Capital work recommended in the 2005 DRAFT Natural Resources Management Plan has already been integrated into the 2005 Annual Update of the Capital Plan. Final recommendations shall be incorporated in 2006. The Department currently does not have a comprehensive plan for Urban Forestry; and should one be produced, it is not clear whether this work would qualify as Capital (definitions vary by funding source).

16.5 Address the seismic issues at Kezar Pavilion, McLaren Lodge and Annex, the Park Aid Station, and the Urban Forest Center.

RPD Response: Partly Agree. The Department's Capital Program was established to assess the conditions of our facilities and address seismic and other deficiencies as funding is made available. The Department received State Prop 40 block grant funds to assist with the renovation of GGP facilities. It should be noted that Kezar Pavilion is not a Proposition 40 site as identified by the Board of Supervisors appropriation.

16.6 Evaluate the seismic condition of Camp Mather, Candlestick Park, the Park Patrol Office, the Pioneer Log Cabin, the Randall Museum, the Structural Maintenance Yard, and the Nursery.

RPD Response: Partly Agree. Please see 16.5 above for GGP facilities; 7.1 above for Candlestick Park; and 7.2 above for Camp Mather.

Section 17. The Capital Program's Funding Sources

The Recreation and Park Department Commission and General Manager should:

17.1 Consider the full range of funding options for the Department's Capital Program, including: (a) new general obligation and/or lease revenue bonds, (b) increasing the Department's revenues from competitive grants and philanthropic gifts, (c) public/private partnerships, (d) public sector partnerships with agencies which have overlapping needs and facilities, (e) small business and corporate sponsorship, (f) special voter-approved tax assessments and expansion of downtown park funds, and (g) increased revenue generation from renovated, rebuilt, and new facilities.

RPD Response: Agree. The Capital Division currently participates in securing gifts and grants for projects from various governmental and philanthropic organizations. Receipt from these types of infusing of funds has resulted in a total of $100M in state and federal grant funds, and an additional $40M in philanthropic gifts. The approval of a general obligation and/or revenue bond as well as a tax assessment would have to be approved by the public at the submission of the City.

17.2 Develop an overarching plan to increase its funding from grant and philanthropic gift sources.

RPD Response: Partly Agree. Please see 17.1 above.

17.3 Focus on submitting well-supported grant applications to all possible grant funding agencies and canvassing as wide a pool of donors as possible, particularly for those projects where Department facilities will also be venues for social services delivered by other agencies with different mandates and, therefore, different potential donor pools.

RPD Response: Partly Agree. See response 17.1 above

17.4 Develop the Department's capacity to work with the donor community, to develop mechanisms which assure donors that their investments will be well maintained, to develop ways of ensuring equitable distribution of capital improvement projects so that donations do not skew the Department's prioritization process, and to develop innovative ways for communities to more easily make in-kind donations of professional services, "sweat equity," materials and supplies, and land.

RPD Response: Partly Agree. The Capital Division currently works with community volunteers on the planting and maintenance of its community parks. Additionally, small neighborhood groups (Friends of the Park) provide sweat equity in beautifying recreation centers. An example is the community came together and provided hand made tiles to decorate a retaining wall in a child's play area. The Capital Division provided the detailed plans for installing the tiles and the Operations group actually performed the installation task.

17.5 Develop ongoing funding mechanisms to support of (a) its own ongoing capital asset maintenance obligations, (b) its ongoing capital asset maintenance obligations related to other organizations' capital programs, and (c) its future facility replacement program.

RPD Response: Agree. The Capital Division is currently assessing the feasibility of utilizing a Project Management software that will provided needed assistance with project cost estimation, project oversight, and financial reporting. The implementation of such a system will provide a financial work plan for strategically and efficiently reducing work order back long in operations, enhance planning capability through the prioritization of maintenance projects and will aid in the development of present and future budgets for capital as well as maintenance projects.

Section 18. Monitoring Capital Project Budgets

The Recreation and Park Department General Manager should:

18.1 Provide a detailed report to the Board of Supervisors, no later than March 31, 2006, showing (a) all completed capital projects, (b) the date of substantial completion, (c) the date that the project was closed out, (d) reasons for not closing out the project, if applicable, and (e) the amount of unexpended balances.

RPD Response: Partly Agree. The value of the recommendation is realized, but we would request that the report due date be extended to May 2006 so as to not to conflict with GOBOC reporting currently scheduled in April 2006. However, RPD will provide a detail report to BOS no later than June, 2006 on the status of completed capital projects.

18.2 Identify available unexpended balances and present these funds to the Board of Supervisors for re-appropriation to unfunded capital projects.

RPD Response: Agree. RPD will present to BOS surplus funds that require re-appropriation. This process was last completed in October 2004 (see 16.1).

The Director of the Capital Division should:

18.3 Set up standard protocols for all project directors that (a) clearly define the responsibilities of Recreation and Park Department project directors in managing capital project budgets, including construction budgets under the management of the Department of Public Works project managers, and (b) set standards for tracking and documenting actual project costs against project budgets.

RPD Response: Agree. This is a goal for the Capital Division and can be achieved through the implementation of the project management software currently being studied as noted in 17.5.

18.4 Establish clear guidelines for closing out the construction phase of capital projects and closing out capital projects in FAMIS.

RPD Response: Agree. RPD will establish guidelines to ensure timely project close-out during construction phase and final accounting in FAMIS.

18.5 Routinely review the status of project close out and ensure that the Recreation and Park Department project directors are working with the Department of Public Works project managers to close out completed capital projects.

RPD Response: Agree. RPD will create a monitoring report to track progress of projects in close out to final FAMIS close out. Monitoring report will include comments on pending issues with close out of contract(s) or any funding adjustments that require Commission/BOS approvals.

18.6 Establish procedures to reconcile the monthly financial reports with the City's general ledger system, FAMIS, to ensure that reported project balances are accurate.

RPD Response: Agree. RPD will modify current procedures to reconcile project balances between FAMIS and RPD general ledger system. As part of the modification to current procedures, RPD is in the process of hiring additional accounting staff to perform and maintain reconciliation function.

463.6[illegible]4

HOUCHEN
BINDERY LTD
UTICA/OMAHA NE.
2007